

EXHIBIT D



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

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I. Executive Summary



Executive Summary

- The Puerto Rico Highway and Transportation Authority (PRHTA) is a public corporation responsible for developing, operating and maintaining Puerto Rico's toll road network, major highways and mass transportation facilities. The current Administration has developed an aggressive plan to obligate \$135 million annually from Federal Highway Administration (FHWA) and \$20 million from Federal Transit Administration (FTA) for projects meeting four key objectives including: (a) transit security and safety projects, (b) improvement of existing transportation infrastructure, (c) complete highway systems, and (d) congestion mitigation. Although this has not been the norm of the agency, PRHTA had difficulties in obligating and deploying federal funds during the last 3 years.
- In order to maximize the infrastructure development in Puerto Rico, PRHTA is revamping its operations and streamlining its project delivery process. With this in mind, A Memorandum of Understanding was signed in February 2016 between Secretary of the Federal Department of Transportation and the Government of Puerto Rico geared at improving PRHTA's operational effectiveness through several key initiatives, some of which are already in progress.
- PRHTA's current fiscal situation reflects a \$4.49 billion financial gap for the next 10 year mostly impacted by the clawback provision which redirects 74%, or about \$4.57 billion, of its operating revenues to the Central Government. Bondholders of the PRHTA are expected to cease receiving money for debt repayment by July 2017, when the reserve funds that have been used until now run out. In light of this financial reality and in accordance with the current Administration's public policy, PRHTA will implement several measures geared at optimizing its operations with fiscal measures with an impact representing \$616 million during the 10 year, or 14%, of the current financial gap.
- A default of PRHTA with any of its obligations may trigger questions as to its financial capacity, a key requirement to receiving applicable grants from the FHWA and FTA. Furthermore, in the case of FTA, the reimbursement of previous funds may be requested if the use of an asset, previously federally funded, is discontinued. PROMESA establishes a process for the restructuring of debt (voluntary or involuntary) towards sustainable levels but not before the certification of its Fiscal Plan by the Oversight Board, among other requirements. The Government of Puerto Rico and its instrumentalities (including PRHTA) expect to continue this process in order to strengthen its financial capacity. PRHTA will also continue to work with all the federal agencies (including FTA & FHWA) as Partners throughout this process in order to achieve our common financial and operational objectives.



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

II. DESCRIPTION OF PRHTA



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Puerto Rico Highway and Transportation Authority

Puerto Rico Highway and Transportation Authority

Mission

Lead Puerto Rico towards economic development through an efficient transportation system, safely and in accord with the environment, while procuring the delivery of excellent service

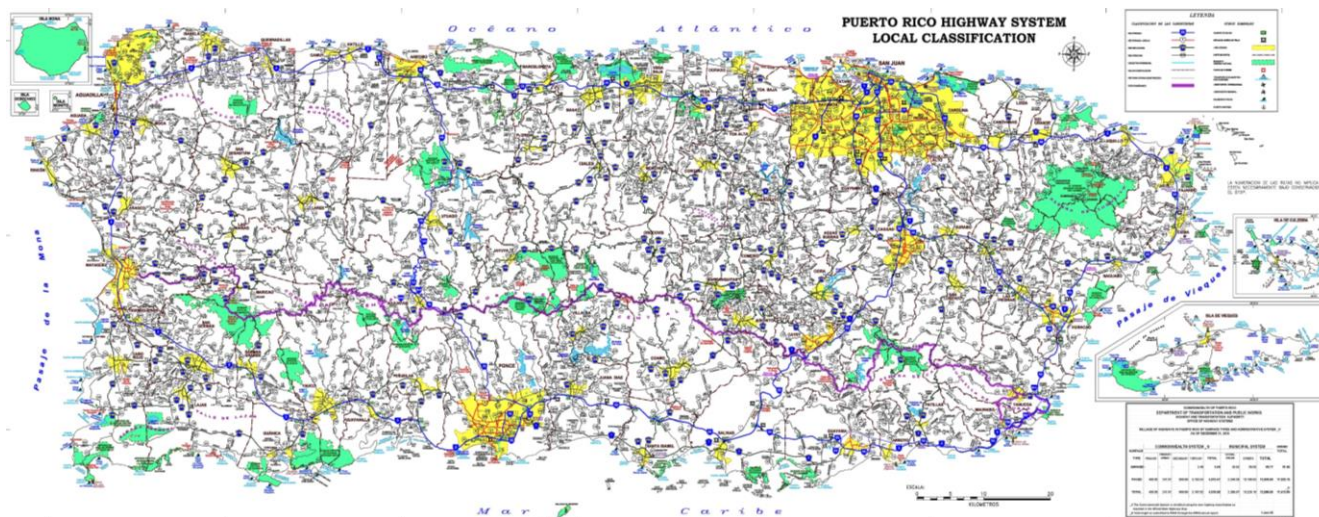
Vision

Develop and promote an integrated transportation system that, along with a highway infrastructure and service delivery, will facilitate the economic development of Puerto Rico in harmony with the environment

About PRHTA

- The Puerto Rico Highway and Transportation Authority is a public corporation founded with the purpose of continuing the government's effort of providing the public with the best highways, easing the flow of vehicles and minimizing the risks and inconveniences that traffic congestions may cause.
- PRHTA is charged with constructing, operating, and maintaining Puerto Rico's toll road network, major highways and mass transportation facilities, which are financed by revenue bonds, federal grants and specified tax revenues.
- The Puerto Rico State Highway System consists of a total of **4,814 miles**:

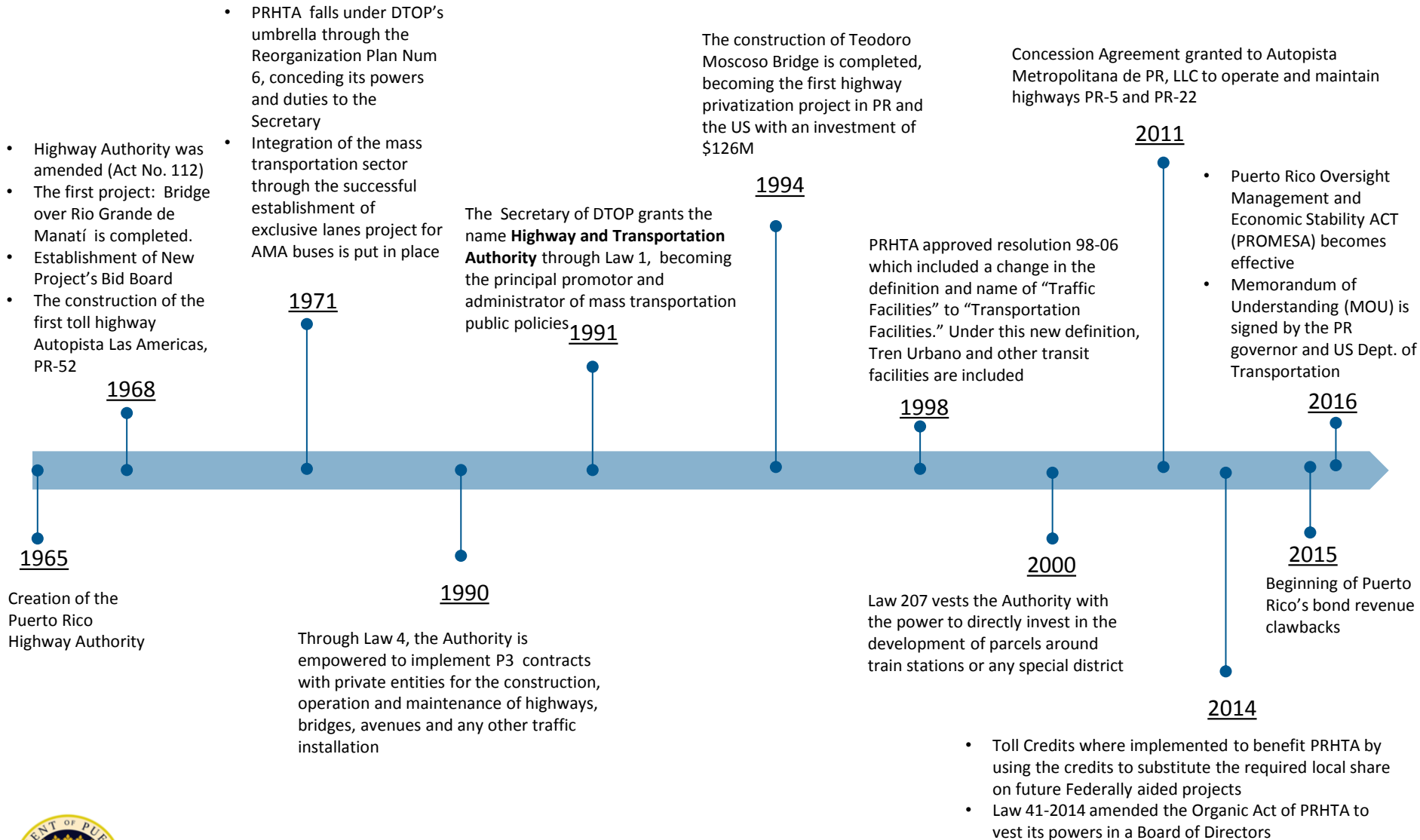
Primary Roads – 650 miles
Secondary Roads – 1,000 miles
Tertiary Roads – 3,164 miles



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

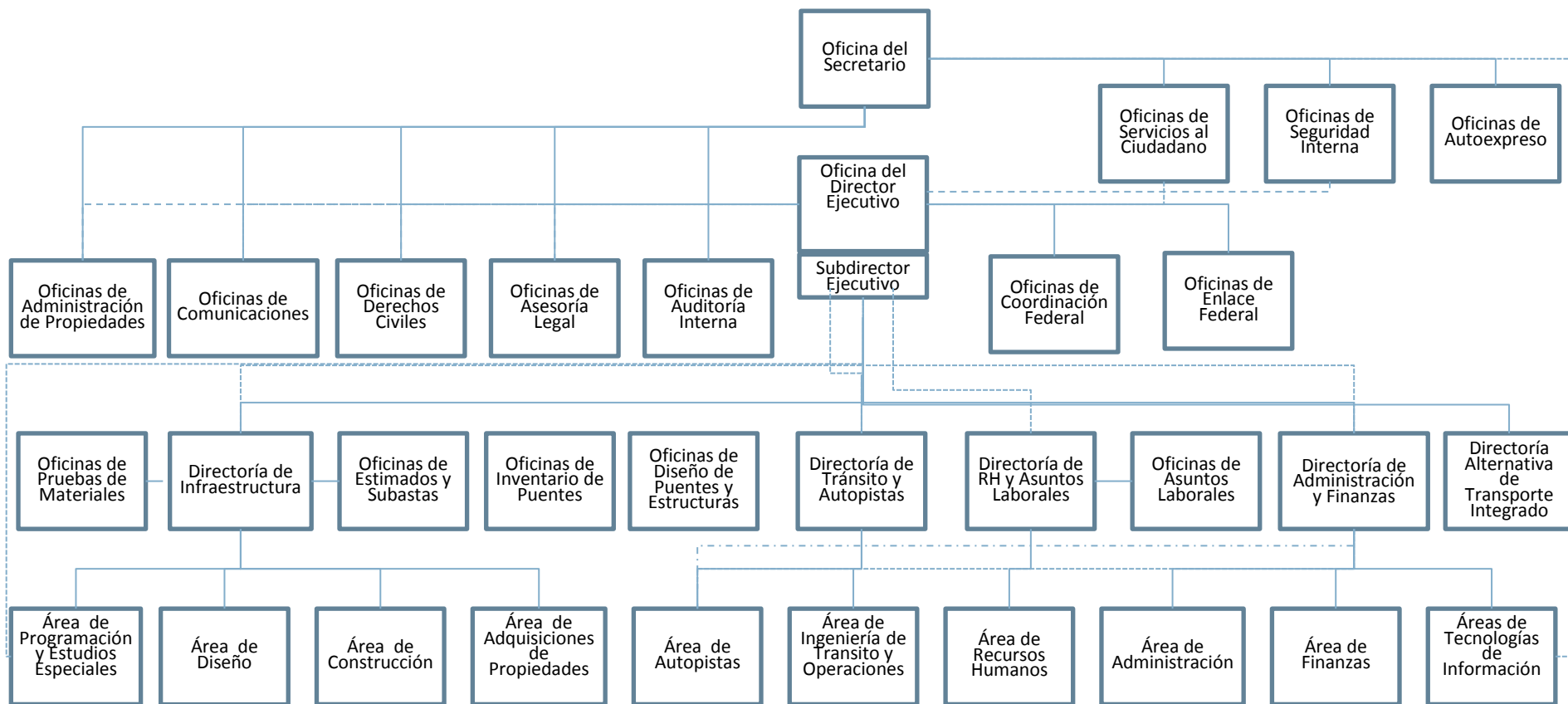
PRHTA: An Evolving Mission



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

Current organization has a total head count of 1,485 as of February 2017



- Special relation between advisory offices that directly report to the Secretary and, at the same time, provide services and advice to the Executive Director
- Special relationship of counseling and coordination between offices or areas
- Special relation between administrative and finance phases



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

PRHTA as a grantee of the Federal Government

PRHTA receives federal funds from two agencies, Federal Transit Administration (FTA) and Federal Highway Administration (FHWA). This funding requires that the grantee demonstrates specific and well defined technical, financial and organizational capabilities. If the grantee does not meet these capabilities, federal funds will not be allocated.

FHWA

Description

Federal Agency within the U.S Department of Transportation responsible for **administering the federal-aid highway program** and **highway transportation programs of the Department of Transportation.**

FTA

Provides financial and **technical assistance to local public transit systems**, including buses, subways, light rail, commuter rail, trolleys and ferries. The FTA also **oversees safety measures** and helps **develop next-generation technology research.**

Compliance Requirements

According to 23 U.S.C. § 302 and Title 23 of the Code of Federal Regulations, any state needs to be suitably equipped and organized to discharge to the satisfaction of the Secretary the duties required by this title. In the following areas:

- Payment procedures- Chapter 1, subchapter 8
- Planning/Environmental- Section 135, Chapter I, Subchapter E
- Design- Highway Standard/ Design Criteria- Section 109, Chapter I, Subchapter G
- Construction and Contracting Procedures- Chapter I, Subchapter G
- Transportation Infrastructure Management- Chapter I, Subchapter F
- Maintenance- Properly Maintenance all Roads- Section 116
- Highway Safety- Section 402, Chapter I, Subchapter II
- Right of Way and Environment- Chapter I, Subchapter H

To become a grantee of FTA Funding, PRHTA is required to meet the following minimum criteria:

- Legal Capacity
- Technical Capacity
- Proven Financial Capacity
- Disadvantage Business Enterprise
- American with Disabilities Act Compliance
- Title IV (Civil Rights) 48 U.S.C §5301 *et seq.*

Risks of non-compliance

Non compliance with federal laws and regulations or diversion of highway revenues may result in:

- **Suspension of Funding**
- Lack of Maintenance and essential services that will cause **highways to deteriorate**
- **Transportation of goods and emergency services will be hindered**

The default of PRHTA with any of its obligations (mainly bond debt) may trigger questions as to its financial capacity leading to **a potential loss of federal funds.**

If, during the useful life of the property, the recipient unreasonably delayed or failed to use the federally assisted property for its originally intended purpose, recipients may be required to **return the entire amount of federal assistance spent on the Award or federally assisted property.**

Max Available Funding

\$150 million/year*

\$20 million/year*



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Source: USC 23; Title 23 CFR; PRHTA Management Assessment

* May not equal that of obligated funds and/or actual expenditures

III. INFRASTRUCTURE AGENDA



Infrastructure Agenda

PRHTA has established an aggressive infrastructure agenda to maximize federal funds obligated from FHWA¹ and FTA¹, as can be seen in the Capital Improvement Plan (CIP), which includes active and programmed projects. This infrastructure plan follows a structured approach aimed at maximizing the impact of available resources to support economic growth.

Strategy:

- Continue aggressive plan to maximize funds and develop best in class infrastructure
- Utilize P3's and outsourcing as strategies to achieve a more efficient and modern infrastructure, in accordance with Puerto Rico's government public policies
- Expedite project delivery through:
 - Engage expedited design services to accelerate preliminary designs and obligate funds
 - Increase Project supervision through additional qualified resources
- Pursue Puerto Rico's new infrastructure reform, when applicable

Focus:

Planned projects for the next four years will mainly focus on:

- Highway Safety Projects
- Improvement of existing transportation infrastructure
- Complete Highway Systems
- Congestion Mitigation

Funds:

- Obligate as much Federal Funds as possible to support economic growth
- Current Federal match percentage is 80% of project costs for eligible projects, with state match being set at 20%
- Currently, PRHTA uses toll credits for its state match percentage.

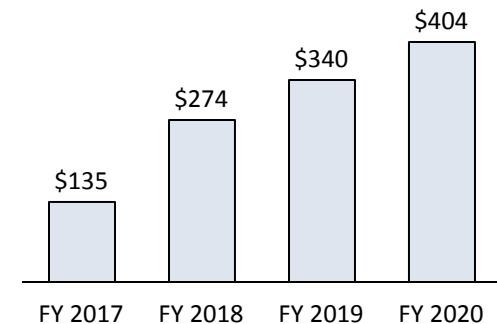
Future initiatives to increase federal funding include:

- Congress approval to begin contributing to Highway Trust Fund
- Decrease current penalties

Projects:

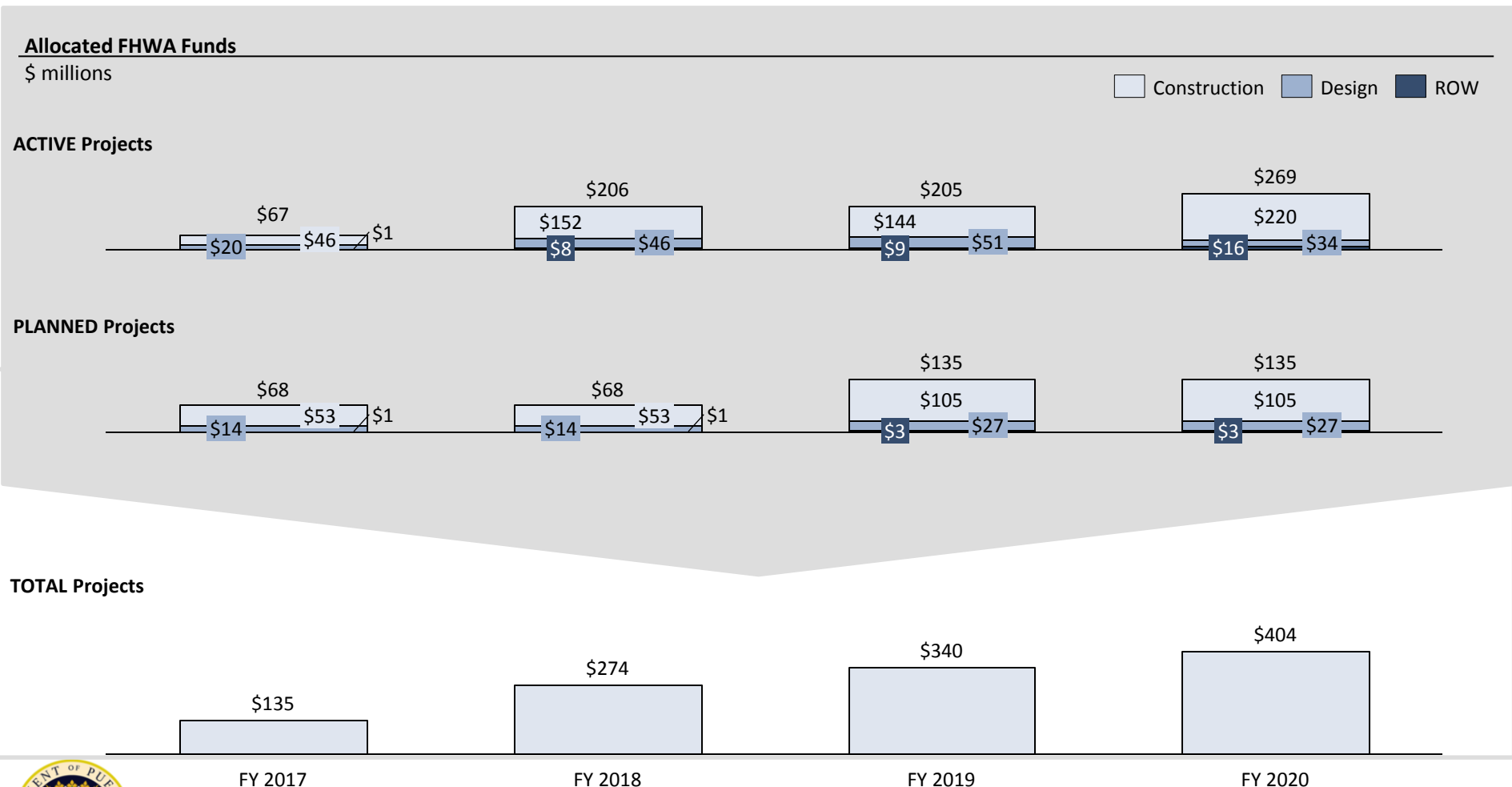
- The FY 2017 CIP emphasizes highway reconstruction projects with a Data Driven Approach focusing on high crash locations and critical condition roadways with emphasis in segments in the National Highway System,

Total allocated funds
\$ millions



Infrastructure Agenda: Fund Allocation Profile

PRHTA is currently working on an aggressive capital improvement plan which includes active and planned projects with a total investment amount of \$1.1 billion in a 4 year period.



FY 2017
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Infrastructure Agenda: Strategic Projects

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General Strategy on Key Projects

Strategic Projects to be incorporated in future FY STIP emphasize **new toll roads, dynamic toll lanes/flyovers and reconstruction and maintenance of existing toll roads** which will include **new revenues** to enhance private sector **participation through P3, APP-P or Outsourcing**

Strategic Projects

Key Projects	Project Cost \$ millions	Project Revenues \$ millions
<ul style="list-style-type: none"> Extension of PR-22 from Hatillo to Aguadilla (Northwest Corridor)¹ 	\$500	\$15/year
<ul style="list-style-type: none"> PR-5 Extension Toa Alta- Bayamón 	\$170	\$8/year
<ul style="list-style-type: none"> Reversible Overpasses with Dynamic Tolling - Efficient Peak Period Congestion Relief in Critical Intersections 	\$250 - based on 10 intersections at \$25 per intersection	\$15/year
<ul style="list-style-type: none"> Reconstruction and Maintenance of Primary Highway Network (PR-52, PR-2, PR-20, PR-53, PR-66) based on PPPP 	<ul style="list-style-type: none"> \$300- Reconstruction \$10/year - Maintenance 	\$4/year with 3% annual growth



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¹ Numbers revised as per Northwestern Corridor: Desirability and Convenience Final Report, April 2016, where study suggests construction of Hatillo to Quebradilla and Aguadilla By Pass, both with toll revenues
Source: STIP 2017-2020; PRHTA Management Assessment

IV. CURRENT SITUATION WITH BASELINE FINANCIAL PROJECTION



PRHTA's current fiscal situation with clawback provision impact

Current fiscal situation continues to be dire for PRHTA and was recently aggravated by the need of the Government of Puerto Rico to **clawback revenues**¹ pledged to the Authority. These revenues are now used within the Government of Puerto Rico. **Government of Puerto Rico has collected \$310 million as of June 30, 2016 under this clawback provision.**

Statement of Revenues and Expenses	June 30				
	2016	2015	2014	2013	2012
	UNAUDITED	UNAUDITED	AUDITED	AUDITED	AUDITED
Total operating revenues	\$ 210.8	\$ 268.9	\$ 213.7	\$ 184.9	\$ 201.6
Total operating expenses	(186.3)	(227.5)	(391.5)	(314.4)	(275.1)
Depreciation and amortization	(451.8)	(448.7)	(448.0)	(432.0)	(438.2)
Operating loss	(427.3)	(407.3)	(625.8)	(561.5)	(511.8)
Non-operating revenues	478.2	518.2	531.9	292.6	292.6
Non-operating expenses	(329.0)	(419.4)	(324.7)	(294.3)	(528.3)
Loss before capital contribution	(278.0)	(308.6)	(418.6)	(563.2)	(747.5)
Transfers and Capital contributions	58.4	358.7	228.4	428.9	306.5
Change in net position	(219.6)	50.1	(190.2)	(134.3)	(441.0)
Net position at beginning of year	3,027.6	2,977.5	3,167.7	3,302.0	3,742.9
Net position at end of year	\$ 2,807.9	\$ 3,027.6	\$ 2,977.5	\$ 3,167.7	\$ 3,302.0



1 As stated in the Puerto Rico Constitution, Article VI, Section 2 "The Secretary of the Treasury may be required to apply the available revenues including surplus to the payment of interest on the public debt and the amortization thereof in any case provided for by Section 8 of this Article VI at the suit of any holder of bonds or notes issued in evidence thereof."

PRHTA's current operational situation and MOU Objectives

Following years of operational and organizational challenges to effectively and efficiently deploy federal funds in compliance for with Federal requirements, **PRHTA and FHWA signed a Memorandum of Understanding¹ on February 29th 2016 geared at revamping PRHTA's Project and Program Delivery capabilities.**

PRHTA Challenges







- More than \$400 million in available funding is not deployed due to delayed processes for project advancement, project completion and provider payments
- Outdated and non-standard documentation and requirements
- Lack of communication and feedback integration between planning and construction departments
- Increased project costs and overruns from original budgets
- Misalignment of current capabilities with needed core competencies

MOU between PRHTA and FHWA

- Establishes procedures, systems and project delivery objectives for the Puerto Rico Highway Program
- Identifies roles , responsibilities and actions for the PRHTA and the FHWA to accelerate the funding, planning, design and construction of various highway, bridge and transportation improvement projects
- Improves the economic vitality of the Government of Puerto Rico and serves as a catalyst for sustainable job growth associated with highway construction in Puerto Rico



MOU requirements and current status of initiatives

Initiative	Description	Status
Federal Aid Billing Procedures	<ul style="list-style-type: none"> Revise and submit to FHWA its billing process to ensure prompt payment to contractors as follow: <ul style="list-style-type: none"> Paying all contractors by EFT Paying all contractors within 40 days of receipt of invoices Tracking status of payments using electronic method acceptable to FHWA Paying all contractors on the first business day after funds are received from FHWA 	<p>E-Business Suite contract is being undertaken using sole sourcing strategy and professional services hiring to expedite its implementation.</p> 
Toll Credits	<ul style="list-style-type: none"> Validate that PRHTA's existing toll credit balance complies with current FHWA guidance (the current guidance at the time of execution of this Agreement is "Interim Guidance- Toll Credit for non-federal Share, Nov 20, 2015) Identify that amount of toll credits available for use by PRHTA, and Identify modifications that PRHTA must make to its processes for approving, tracking and reconciling toll credit usage 	<p>Since inception only \$91M in toll credits have been claimed, there is an outstanding balance of \$665M waiting validation for future federally aided projects.</p> 
Organizational Capacity Development	<ul style="list-style-type: none"> Engage a management consultant to assist the PRHTA to review and develop plans, guidelines, SOP's and recommendations for PRHTA's project billing, project delivery process, contracts, training, planning programs and quality assurance process 	<p>Notice to Proceed provided on 3/31</p> <p>Consultant has begun with preliminary interviews and data gathering</p>  
Expediting Project Delivery	<ul style="list-style-type: none"> Procure services to improve systems such as email communication, electronic project monitoring system, improvements to financial billing system in order to reduce the PRHTA's obligated but unexpected balances. Submit to the FHWA a report identifying the reasons for the delay of every project that the PRHTA has obligated, but for which less than 5% of funds have been expended since the date a recorded obligation existed Develop and Submit to the FHWA a schedule with milestones to accelerate obligation of its annual Federal-aid allocation to ensure all funds are properly obligated before redistribution of Federal-aid obligation limitation 	<p>The email migration started on 12-12-16 and was completed in February 2017</p> <p>The PMIS was signed and approved while E-Bid System is waiting for approval based on new requirements of PR Law 03-2017</p>  



MOU initiatives encompass all elements needed to create an effective organization

	Federal Aid Billing Procedures	Toll Credits	Organizational Capacity Development (LEAN)	Expediting Project Delivery
Processes	<ul style="list-style-type: none"> Develop an efficient billing process with specific goals to ensure on-time payment to contractors Ensure best practices and guarantee financial accuracy and consistency 	<ul style="list-style-type: none"> Identify improvements for the approval, tracking and reconciling of toll credit usage 	<ul style="list-style-type: none"> Implement a LEAN Project delivery and billing process that will result in higher quality projects, faster project completion and more efficient delivery 	<ul style="list-style-type: none"> Establish processes to provide continuous visibility to under performance projects and allow for effective development of action plans
Organization			<ul style="list-style-type: none"> Develop capacity analysis to correctly size the needed organization to support the process 	
Infrastructure	<ul style="list-style-type: none"> Establish measurable goals tied to the development of the agency's goals and objectives Tracking the status of payments with electronic methods 	<ul style="list-style-type: none"> Establish critical KPI's that are essential for auditing and validating compliance with FHWA guidance 	<ul style="list-style-type: none"> Establish measurable performance levels and KPI's to improve process visibility and track whether projects are achieving targets Develop an effective method for capturing voice of the client to support performance measurement and strategic decision making 	<ul style="list-style-type: none"> Implementation of systems for email and electronic monitoring to increase visibility and communication between areas
Culture		<ul style="list-style-type: none"> Train personnel on toll audit process to ensure compliance 	<ul style="list-style-type: none"> Promote collaborative culture and communication Establish agenda for workshops and trainings to develop core competencies and deliver business value 	



Financial Sustainability, Federal Agencies & PROMESA

Bondholders of the PRHTA would cease to receive money for debt repayment by July 2017, when the reserve funds that have been used until now run out. Although PRHTA stopped remitting payments to the trust, the trustee has been using a reserve fund to comply with bondholder payments.

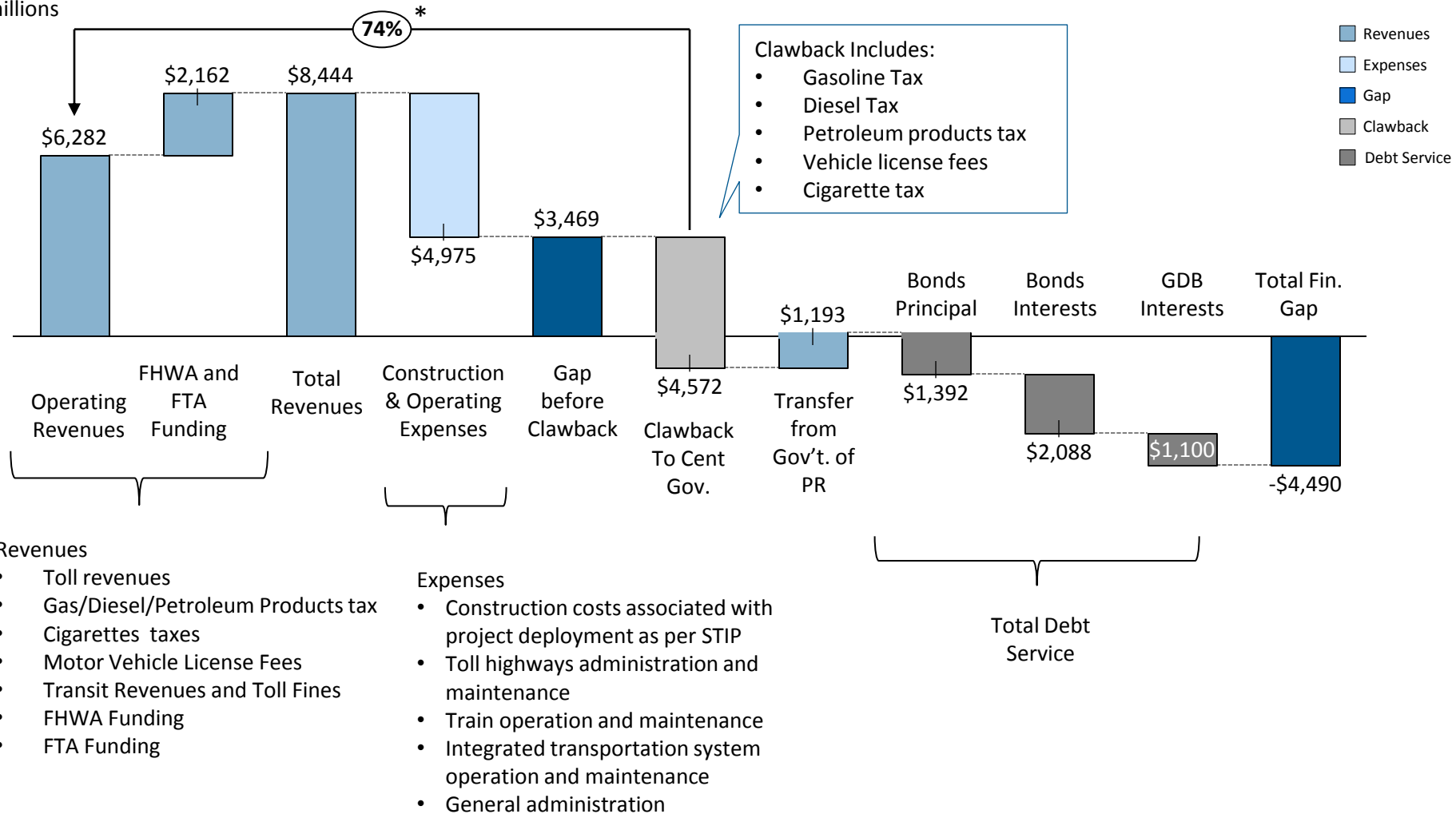
- PRHTA receives about \$155 millions per year from FTA and FHWA. This funding requires that the grantee demonstrates specific and well defined technical, financial and organizational capabilities. If the grantee does not meet these capabilities, there is a substantial risk that federal funds will not be allocated. **A default of PRHTA with any of its obligations may trigger questions as to its financial capacity.** Furthermore, in the case of FTA, the reimbursement of previous funds may be requested if the transportation use is discontinued.
- The **Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)** establishes a process for the restructuring of debt (voluntary or involuntary) towards sustainable levels but not before the certification of its Fiscal Plan by the Oversight Board, among other requirements. The Government of Puerto Rico and its instrumentalities (including PRHTA) expect to continue this process in order to strengthen its financial capacity. We will continue to work with all the federal agencies (including FTA & FHWA) as Partners throughout this process in order to achieve our common objectives.



Overview of PRHTA's Projected Financial Gap over 10 years

Financial Gap Pre-Measures after Clawback & Debt Service

\$ millions



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Puerto Rico Highway and Transportation Authority

* Clawback Revenues amount to 74% of Operating Revenues

Source: Jorge F. Freyre, PHD Projections analysis, PRHTA Management Estimates

PRHTA Baseline projections results in a \$4.5 billion financial gap after debt service for the next 10 years*

	2016-17 P	2017-18 P	2018-19 P	2019-20 P	2020-21 P	2021-22 P	2022-23 P	2023-24 P	2024-25 P	2025-26 P	Total	
											5 Yr	10 Yr
Revenues												
Toll fares ⁽¹⁾⁽²⁾	\$ 136,195	\$ 137,363	\$ 138,547	\$ 139,747	\$ 139,188	\$ 139,606	\$ 141,002	\$ 143,258	\$ 146,266	\$ 150,069	\$ 691,041	\$ 1,411,242
Gasoline Tax** ⁽¹⁾	151,242	146,447	144,677	145,931	147,906	143,357	138,760	133,958	129,315	125,623	736,204	1,407,217
Diesel Tax** ⁽¹⁾	12,500	12,500	12,500	12,500	12,500	12,116	11,727	11,321	10,929	10,617	62,500	119,209
Petroleum Products Tax** ⁽¹⁾	254,567	185,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	994,567	1,919,567
Cigarettes taxes** ⁽¹⁾	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	100,000	200,000
Motor Vehicle License Fees** ⁽¹⁾⁽³⁾	32,651	32,651	32,651	32,651	32,651	32,651	32,651	32,651	32,651	32,651	163,253	326,507
Act 30 - Licenses Fees Transferred to Act** ⁽¹⁾⁽³⁾	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	300,000	600,000
Transit Revenues ⁽⁴⁾	10,200	10,200	10,404	10,612	10,612	10,612	10,612	10,612	10,612	10,612	52,028	105,088
Electronic Toll Fines ⁽⁴⁾	10,600	10,600	10,600	10,600	10,558	10,589	10,695	10,866	11,094	11,383	52,958	107,586
Other income ⁽⁴⁾	8,400	8,400	8,400	8,400	8,366	8,391	8,475	8,611	8,792	9,020	41,966	85,257
Total Revenues	\$ 696,355	\$ 623,161	\$ 622,778	\$ 625,441	\$ 626,781	\$ 622,322	\$ 618,923	\$ 616,277	\$ 614,659	\$ 614,975	\$ 3,194,516	\$ 6,281,671
Active Obligated Funds	67,118	206,199	204,814	268,816	-	-	-	-	-	-	746,947	746,947
STIP Obligated funds	67,500	67,500	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	540,000	1,215,000
Federal Aid - FHWA & Earmarked Projects	134,618	273,699	339,814	403,816	135,000	135,000	135,000	135,000	135,000	135,000	1,286,947	1,961,947
Federal Aid-FTA (Sec. 5307 & Sec. 5309)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	100,000	200,000
Capital Contributions	\$ 154,618	\$ 293,699	\$ 359,814	\$ 423,816	\$ 155,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 1,386,947	\$ 2,161,947
Total Revenues After Federal Fund Transfers	\$ 850,972	\$ 916,860	\$ 982,592	\$ 1,049,257	\$ 781,781	\$ 777,322	\$ 773,923	\$ 771,277	\$ 769,659	\$ 769,975	\$ 4,581,463	\$ 8,443,618
Expenses												
Right of Way	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (155,000)	\$ (310,000)
Design	(23,000)	(23,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(76,000)	(126,000)
Construction Local	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(50,000)	(100,000)
Active Obligated Funds	(67,118)	(206,199)	(204,814)	(268,816)	-	-	-	-	-	-	(746,947)	(746,947)
STIP Obligated funds	(67,500)	(67,500)	(135,000)	(135,000)	(135,000)	(135,000)	(135,000)	(135,000)	(135,000)	(135,000)	(540,000)	(1,215,000)
Construction Federal (FHWA & EARMARKED)	(134,618)	(273,699)	(339,814)	(403,816)	(135,000)	(135,000)	(135,000)	(135,000)	(135,000)	(135,000)	(1,286,947)	(1,961,947)
Salaries and related benefits	(47,837)	(48,425)	(49,393)	(50,381)	(50,381)	(50,381)	(50,381)	(50,381)	(50,381)	(50,381)	(246,417)	(498,322)
Litigation Reserve	(8,160)	(8,160)	(5,863)	(3,520)	(3,520)	(3,520)	(3,520)	(3,520)	(3,520)	(3,520)	(29,223)	(46,823)
Right of Way Payments	(16,960)	(16,960)	(15,299)	(13,605)	(13,605)	(13,605)	(13,605)	(13,605)	(13,605)	(13,605)	(76,429)	(144,454)
Other program expenses	(3,596)	(3,596)	(3,667)	(3,741)	(3,741)	(3,741)	(3,741)	(3,741)	(3,741)	(3,741)	(18,341)	(37,046)
Total Construction ⁽⁶⁾	\$ (275,171)	\$ (414,840)	\$ (465,036)	\$ (526,063)	\$ (257,247)	\$ (257,247)	\$ (257,247)	\$ (257,247)	\$ (257,247)	\$ (257,247)	\$ (1,938,357)	\$ (3,224,592)
Salaries and related benefits	(44,740)	(43,958)	(43,714)	(44,589)	(44,636)	(44,613)	(44,733)	(44,847)	(44,902)	(44,890)	(221,637)	(445,622)
Toll highways administration and maintenance	(33,358)	(33,358)	(34,025)	(34,706)	(34,706)	(34,706)	(34,706)	(34,706)	(34,706)	(34,706)	(170,153)	(343,683)
Train operating and maintenance costs	(65,360)	(66,478)	(68,090)	(69,733)	(69,733)	(69,733)	(69,733)	(69,733)	(69,733)	(69,733)	(339,394)	(688,059)
Integrated transportation system	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(70,376)	(140,751)
Other operating expenses	(12,817)	(12,817)	(13,074)	(13,335)	(13,335)	(13,335)	(13,335)	(13,335)	(13,335)	(13,335)	(65,378)	(132,053)
Total operating expenses ⁽⁵⁾	\$ (170,351)	\$ (170,686)	\$ (172,978)	\$ (176,438)	\$ (176,485)	\$ (176,462)	\$ (176,582)	\$ (176,696)	\$ (176,751)	\$ (176,739)	\$ (866,938)	\$ (1,750,168)
Total expenses	\$ (445,522)	\$ (585,526)	\$ (638,014)	\$ (702,501)	\$ (433,732)	\$ (433,709)	\$ (433,829)	\$ (433,943)	\$ (433,998)	\$ (433,986)	\$ (2,805,295)	\$ (4,974,760)
Total Fin. Gap Pre-Measures before Clawback & Gov. Funding	\$ 405,450	\$ 331,334	\$ 344,578	\$ 346,756	\$ 348,049	\$ 343,613	\$ 340,094	\$ 337,334	\$ 335,661	\$ 335,989	\$ 1,776,168	\$ 3,468,858
Clawback to Central Government ⁽⁷⁾	\$ (530,959)	\$ (456,598)	\$ (454,828)	\$ (456,082)	\$ (458,057)	\$ (453,123)	\$ (448,138)	\$ (442,930)	\$ (437,894)	\$ (433,890)	\$ (2,356,524)	\$ (4,572,499)
Transfer from Government of PR ⁽⁹⁾	119,340	119,340	119,340	119,340	119,340	119,340	119,340	119,340	119,340	119,340	596,700	1,193,400
Total Fin. Gap Pre-Measures after Clawback & Gov. Funding	\$ (6,169)	\$ (5,924)	\$ 9,091	\$ 10,014	\$ 9,332	\$ 9,830	\$ 11,295	\$ 13,744	\$ 17,107	\$ 21,439	\$ 16,344	\$ 89,759
Debt Service ⁽⁸⁾												
Principal	\$ (113,355)	\$ (116,723)	\$ (120,488)	\$ (124,510)	\$ (129,652)	\$ (162,568)	\$ (153,750)	\$ (149,800)	\$ (156,754)	\$ (164,034)	\$ (604,728)	\$ (1,391,634)
Interest	(234,088)	(229,507)	(224,560)	(219,408)	(213,891)	(207,510)	(201,300)	(193,636)	(185,774)	(178,397)	(1,121,454)	(2,088,070)
Total debt due to Bonds	\$ (347,443)	\$ (346,230)	\$ (345,048)	\$ (343,919)	\$ (343,543)	\$ (370,078)	\$ (355,050)	\$ (343,436)	\$ (342,528)	\$ (342,431)	\$ (1,726,182)	\$ (3,479,704)
Interest on GDB Line of Credit	\$ (110,000)	\$ (110,000)	\$ (110,000)	\$ (110,000)	\$ (110,000)	\$ (110,000)	\$ (110,000)	\$ (110,000)	\$ (110,000)	\$ (110,000)	\$ (550,000)	\$ (1,100,000)
Total debt	\$ (457,443)	\$ (456,230)	\$ (455,048)	\$ (453,919)	\$ (453,543)	\$ (480,078)	\$ (465,050)	\$ (453,436)	\$ (452,528)	\$ (452,431)	\$ (2,276,182)	\$ (4,579,704)
Total Fin. Gap Pre-Measures after Debt Service & Clawback	\$ (463,612)	\$ (462,154)	\$ (445,957)	\$ (443,904)	\$ (444,210)	\$ (470,248)	\$ (453,754)	\$ (439,692)	\$ (435,421)	\$ (430,992)	\$ (2,259,838)	\$ (4,489,946)

* Additional notes and assumptions on page 51

**Revenue streams included on Government Clawback

*** Only interest payments are considered in the projections

Source: Operational revenue information based on Jorge F. Freyre, PHD analysis on long term revenue projection. Federal funding, expenses and debt servicing information where provided by PRHTA.



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

V. FISCAL MEASURES WITH FINANCIAL PROJECTIONS



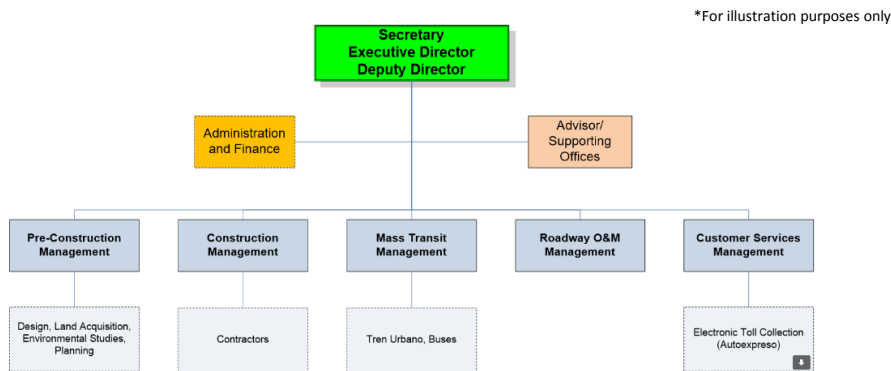
Our goal is to transform PRHTA's towards a best-in-class infrastructure developer and operator

As previously mentioned, PRHTA is responsible of constructing, operating, and maintaining Puerto Rico's toll road network, major highways and mass transportation facilities. To properly meet its duty, the measures in this plan follow two main philosophies:

An effective organization focused in gaining synergies and carrying out the specific goals of PRHTA

- Organize PRHTA into a world class infrastructure developer and operator moving it towards a contract management model, such as it is currently done today for design, land acquisition, construction and mass transit operations. Expect PRHTA to manage third party contracts engaged through competitive bidding for each service required.

PRHTA envisioned structure



- Competitiveness will be maintained by constantly evaluating current contracts and its performance and re-bidding to assure accurate market value of service provided.

A streamlined project delivery process by engaging the best resources available

- Establish best-in-class Project Delivery Process to assure federal compliance and efficiently deployment of resources available to maximize the infrastructure developed and maintained.

Project Delivery Phases



- The streamlined process will be complemented by having the adequately sized resources, visibility of important metrics to allow for accurate and timely decision making, as well as the correct people with the right motivators and capabilities.
- Project delivery methods will include Value Engineering analysis and innovative contract approaches¹ early in the planning phase to maximize the value of each project
- Skilled teams in the management of design and construction activities will assure to meet objectives of reducing average change orders from 30% to 15%²



¹ Case study of PR-18 & PR-66 procurement approach to be used as guideline for applicable projects. See Appendix: Additional Information

² Federal funded projects budget allows for a maximum of 15% increase to projects

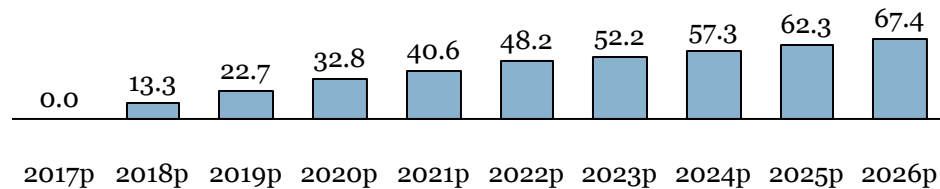
Organizational Transformation Fiscal Measure (1/2)

1 Transform organization from an in-house infrastructure developer to contract management

- Organize PRHTA into a world class infrastructure developer and manager moving towards a contract management business model, such as done today for different functions.

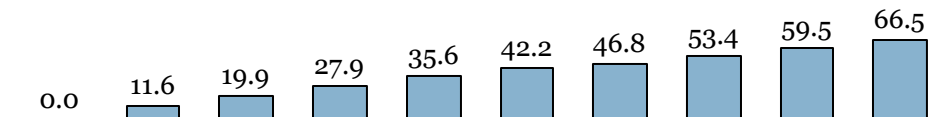
Results

\$ millions, Full year impact



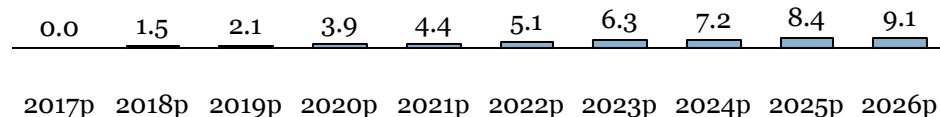
1a Organization Transformation

- Transform organization from an in-house infrastructure developer to contract management leveraging the Labor Transformation and Flexibility Act of 2017¹ and through a normal attrition rate



1b Pre-Retirement Program Act

- Application of Voluntary Pre-Retirement Program Act²
- 187 candidates opted for the plan on the first year adding to \$58.1M in savings the 10 year period



¹ Assumes Labor Transformation and Flexibility Act of 2017 applies to PRHTA and resources can be relocated appropriately

² PRHTA submitted Pre-retirement Plan to Office of Management and Budget (OMB) on December 2016 for approval

Source: Analysis and Labor need by PRHTA ; Pre retirement analysis by PRHTA; Operating budget 2016

Organizational Transformation Fiscal Measure (2/2)

Measures

1c Overhead Savings

- Additional operational expenses savings due organizational transformation which include utilities expenses such as energy, water, etc. for the 10 year period

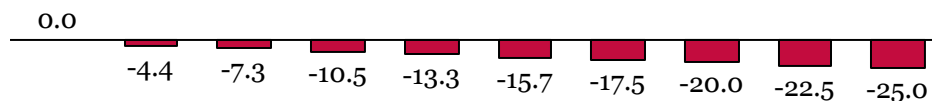
Results

\$ millions, Full year impact



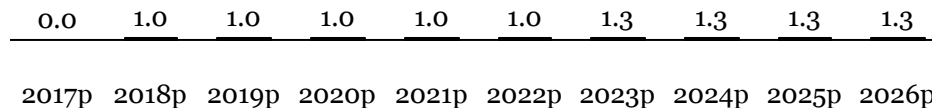
1d Outsourcing Costs

- Incremental costs associated with increasing contract management



1e Rent Reduction

- Rent reduction due to a decrease in organization size



Optimization of Outsourced Operations and Development of Real Estate Program Fiscal Measures

Measures

Results

\$ millions, Full year impact

2 Optimization of Outsourcing Operations

- PRHTA believes it can obtain additional savings in their Transit Services.



3 Revenues from new Dynamic Toll Lanes (DTL)

- As presented in the current CIP, on 2018, PRHTA will begin the implementation of a DTL on PR-52 and PR-18 with expected operation start date on 2020



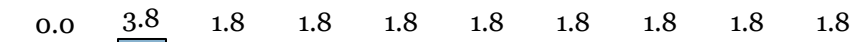
4 Toll Collection Optimization

- An update of toll hardware and software will result in an increase in revenues by an amount of 2% of collected revenues per toll updated
- Tolls will be updated at 5 per year and revenues are seen on next fiscal year
- Updates will start on most profitable tolls that cover over 45% of total revenues for the 2nd year, 65% the 3rd, 85% the 4th and 100% onwards
- Ponce and Caguas Norte tolls will be made bi-directional which will increase 10% of its toll revenues



5 Additional Revenue Initiatives

- Reactivation of the Joint Development Program which provides for residential and commercial projects in the Tren Urbano corridor. Currently two initiatives are underway with additional \$2.0 M in revenues to the PRHTA in the first year and over \$80 M private investment.
- The development of a noncore real estate asset disposition program that can represent additional income of approximately \$1.5M per year.
- Toll Concessions Advertisement and ATM services agreement which is estimated at \$275K in the 10 year period.
- Implementation of Specific Service Signs in Toll Highway Concessions approximately \$250K per year. Additional income if implemented in non-concession toll highways.



2017p 2018p 2019p 2020p 2021p 2022p 2023p 2024p 2025p 2026p



Financial Gap after measures and Debt Service

Exhibit D Page 29 of 58

Projected Financial Gap over the 10 year period

\$ thousands

	2016-17 P	2017-18 P	2018-19 P	2019-20 P	2020-21 P	2021-22 P	2022-23 P	2023-24 P	2024-25 P	2025-26 P	Total	
											5 Yr	10 Yr
Total Fin. Gap Pre-Measures after Clawback	\$ (6,169)	\$ (5,924)	\$ 9,091	\$ 10,014	\$ 9,332	\$ 9,830	\$ 11,295	\$ 13,744	\$ 17,107	\$ 21,439	\$ 16,344	\$ 89,759
Less: Transfer from Government of PR ⁽⁹⁾	\$ (119,340)	\$ (119,340)	\$ (119,340)	\$ (119,340)	\$ (119,340)	\$ (119,340)	\$ (119,340)	\$ (119,340)	\$ (119,340)	\$ (119,340)	\$ (596,700)	\$ (1,193,400)
Total Fin. Gap Pre-Measures before Gov. Funding	\$ (125,509)	\$ (125,264)	\$ (110,249)	\$ (109,326)	\$ (110,008)	\$ (109,510)	\$ (108,045)	\$ (105,596)	\$ (102,233)	\$ (97,901)	\$ (580,356)	\$ (1,103,641)
Measures												
Meas. aimed at a Organizational Transformation												
Organization Transformation	\$ -	\$ 11,633	\$ 19,938	\$ 27,883	\$ 35,639	\$ 42,220	\$ 46,756	\$ 53,353	\$ 59,480	\$ 66,465	\$ 95,094	\$ 363,368
Pre-Retirement program Act	-	1,540	2,119	3,936	4,406	5,127	6,257	7,161	8,449	9,089	12,001	48,085
Overhead Savings	-	3,475	6,950	10,425	12,741	15,290	15,290	15,290	15,290	15,290	33,591	110,041
Outsourcing Costs	-	(4,360)	(7,301)	(10,532)	(13,255)	(15,672)	(17,547)	(20,030)	(22,484)	(25,008)	(35,449)	(136,191)
Rent Reduction	-	950	950	950	950	1,045	1,254	1,254	1,254	1,254	3,800	9,861
Total Organizational Transformation	\$ -	\$ 13,238	\$ 22,656	\$ 32,662	\$ 40,481	\$ 48,010	\$ 52,010	\$ 57,028	\$ 61,988	\$ 67,090	\$ 109,038	\$ 395,164
Meas. aimed at Mass Transportation Optimization												
Optimization of Outsourcing Operations	\$ -	\$ -	\$ 3,475	\$ 6,950	\$ 10,425	\$ 12,741	\$ 15,290	\$ 15,290	\$ 15,290	\$ 15,290	\$ 20,850	\$ 94,751
Revenues from DTL	-	-	-	3,000	6,000	6,000	6,000	6,000	6,000	6,000	9,000	39,000
Ponce Sur and Caguas Norte Bidirectionality	-	4,223	4,259	4,296	4,279	4,292	4,334	4,404	4,496	4,613	17,056	39,195
Increase vehicle classification	-	432	624	816	960	960	960	960	960	960	2,832	7,632
Toll Leakage Minimization	-	1,236	1,801	2,376	2,784	2,792	2,820	2,865	2,925	3,001	8,197	22,601
Toll Collection Optimization	\$ -	\$ 5,891	\$ 6,684	\$ 7,488	\$ 8,022	\$ 8,044	\$ 8,114	\$ 8,229	\$ 8,382	\$ 8,575	\$ 28,085	\$ 69,428
Additional Revenue Initiatives	\$ -	\$ 3,778	\$ 1,778	\$ 1,778	\$ 1,778	\$ 1,778	\$ 1,778	\$ 1,778	\$ 1,778	\$ 1,778	\$ 9,111	\$ 17,998
Total Measures	\$ -	\$ 22,907	\$ 34,592	\$ 51,878	\$ 66,706	\$ 76,572	\$ 83,192	\$ 88,325	\$ 93,438	\$ 98,732	\$ 176,083	\$ 616,341
Total Fin. Gap after Measures before Gov. Funding	\$ (125,509)	\$ (102,357)	\$ (75,657)	\$ (57,448)	\$ (43,301)	\$ (32,938)	\$ (24,853)	\$ (17,271)	\$ (8,796)	\$ 831	\$ (311,701)	\$ (487,300)

Summary of Results

- PRHTA Fiscal Measures of \$616 MM are expected in the next ten years
- Without the assumption of continued transfers from the Government of Puerto Rico totaling \$1,193 million, PRHTA has a funding gap after clawback before Government funding of \$ 1,103 million before measures
- PRHTA fiscal measures of \$616 million are expected to reduce the funding gap to \$487 million after measures before Government funding and before debt service. **Once the Central Government confirms that the impact of such measures have been fully realized, then they will proceed to make the necessary adjustments to "Transfers from Government of PR"**



GOVERNMENT OF PUERTO RICO
Puerto Rico Highway and Transportation Authority

Pursue guiding principles to address the financial gap and re-focus PRHTA towards its objectives

Obtain an efficient organization

- Obtain organization with the necessary resources to meet objectives and provide the services required
- Have a properly sized organization according to active project need
- Engage the best resources available to move PRHTA agenda forward

Strengthen partnership with federal agencies

- Maintain strong communication with FHWA & FTA
- Comply with FHWA MOU and move forward towards full compliance
- Communicate Fiscal Plan to Federal Agencies and work together towards a sustainable solution
- Discuss support from FHWA & FTA to help re-position PRHTA's as a first class Federal Grantee and infrastructure developer

Improve infrastructure towards new standards

- Focus infrastructure program on improvements to current Highway system, finishing interstate system, congestion mitigation and safety projects
- Implement data driven process for project selection based on asset ROI
- Maximize deployment of federal funds

Create a sustainable debt structure

- Obtain a sustainable debt structure to allow for provision of services and realistic economic growth infrastructure
- Evaluate new structures used in other jurisdictions

Improve project delivery effectiveness

- Set-up processes and organization to streamline project delivery and improve average project times from planning to completion (MOU Project to achieve this)
- Implement new contracting practices, such as CHICA¹ Contracts
- Maintain close communication with Federal Agencies and improve internal controls and feedback loops

Adhere to Financial Control Reform

- Assure measures from Fiscal Plan are budgeted, as well as all expenses associated with core services
- Establish a zero-based budget approach and the culture required to sustain it
- Implement procurement process reform as established in the Government of Puerto Rico's Fiscal Plan



VI. DEBT SUSTAINABILITY



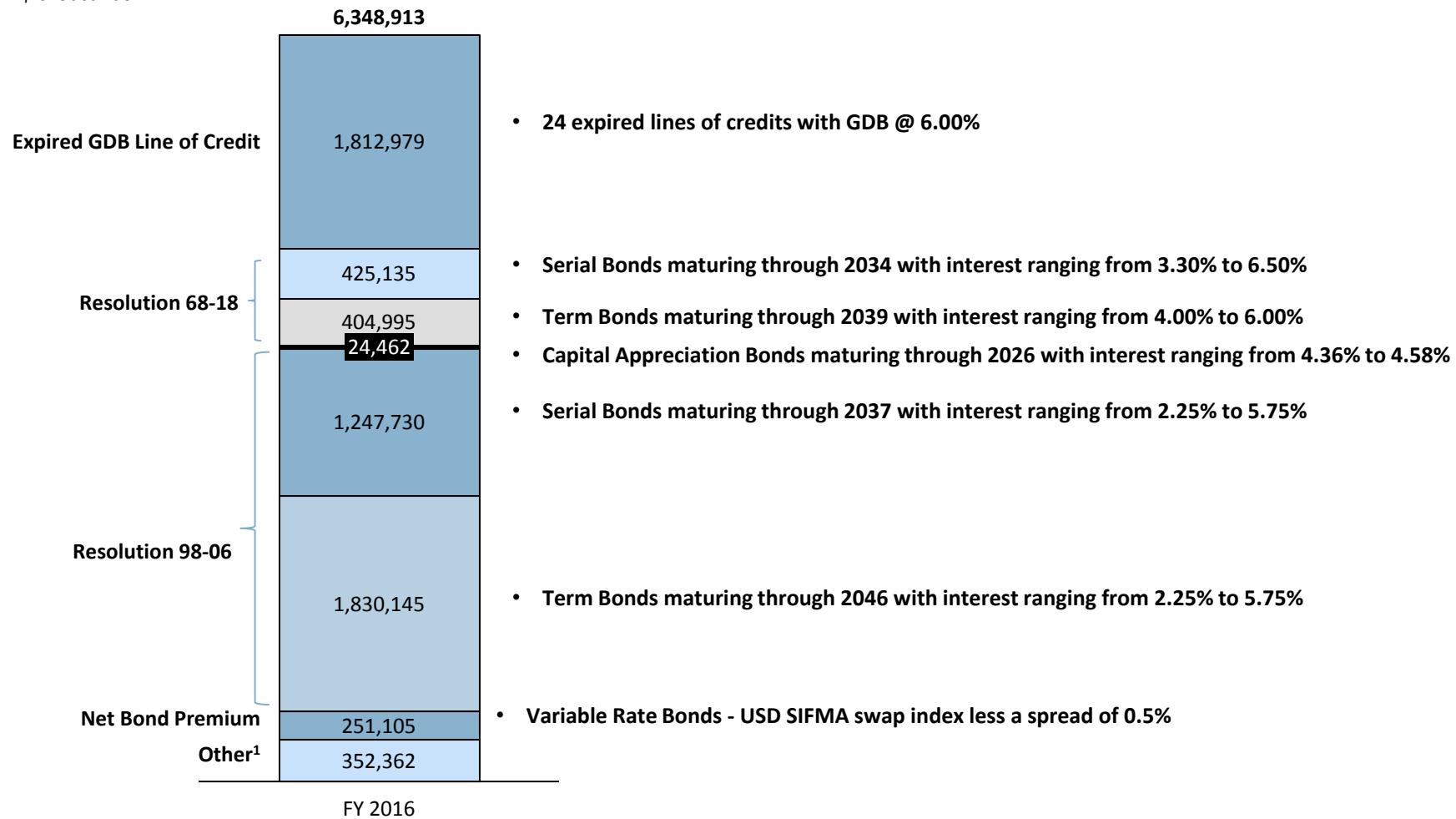
GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

PRHTA Debt Structure

Current Debt Structure

\$ thousands



GOVERNMENT OF PUERTO RICO
Puerto Rico Highway and Transportation Authority

¹Other Includes: \$200MM in Variable Rate Bonds - USD SIFMA swap index less a spread of 0.5%, \$57MM in CPI based interest-rate bonds, reset monthly on CPI changes, \$.7MM in LIBOR based interest rate bonds maturing through 2045, \$93MM in Capital Appreciation Bonds maturing through 2026 with interest ranging from 4.47% to 5.08%

Source: Draft PRHTA Unaudited Financial Statements FY2015

Debt Sustainability

As a result of the clawback of certain revenues to the Government of Puerto Rico, PRHTA has insufficient cash flows to service its debt

- 1 After accounting for the clawback, PRHTA does not have sufficient positive cash flows to support its expenses and debt service, requiring support from the Government of Puerto Rico to maintain essential operations
- 2 Even after accounting for the incremental positive cash flows of fiscal plan measures, PRHTA will require support from the Government of Puerto Rico to maintain essential operations and expenses

Cash flow available for debt service (\$ in millions)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total	
											5 Yr	10 Yr
Total Revenues After Federal Fund Transfers ¹	\$851.0	\$916.9	\$982.6	\$1,049.3	\$781.8	\$777.3	\$773.9	\$771.3	\$769.7	\$770.0	\$4,581.5	\$8,443.6
Clawback to Central Government	(\$531.0)	(\$456.6)	(\$454.8)	(\$456.1)	(\$458.1)	(\$453.1)	(\$448.1)	(\$442.9)	(\$437.9)	(\$433.9)	(\$2,356.5)	(\$4,572.5)
Revenues net of Clawback	\$320.0	\$460.3	\$527.8	\$593.2	\$323.7	\$324.2	\$325.8	\$328.3	\$331.8	\$336.1	\$2,224.9	\$3,871.1
Total expenses	(\$445.5)	(\$585.5)	(\$638.0)	(\$702.5)	(\$433.7)	(\$433.7)	(\$433.8)	(\$433.9)	(\$434.0)	(\$434.0)	(\$2,805.3)	(\$4,974.8)
1 Cash Flow available for Debt Service (pre-measures)	(\$125.5)	(\$125.3)	(\$110.2)	(\$109.3)	(\$110.0)	(\$109.5)	(\$108.0)	(\$105.6)	(\$102.2)	(\$97.9)	(\$580.4)	(\$1,103.6)
Total Measures	\$0.0	\$22.9	\$34.6	\$51.9	\$66.7	\$76.6	\$83.2	\$88.3	\$93.4	\$98.7	\$176.1	\$616.3
2 Cash Flow available for Debt Service (post-measures)	(\$125.5)	(\$102.4)	(\$75.7)	(\$57.4)	(\$43.3)	(\$32.9)	(\$24.9)	(\$17.3)	(\$8.8)	\$0.8	(\$404.3)	(\$487.3)

Government of Puerto Rico tax revenues conditionally pledged to support PRHTA obligations are excluded from PRHTA revenues and are included in the Government of Puerto Rico's Fiscal Plan, while system toll revenue is assumed to be collected by PRHTA and applied to system expenses



VII. Liquidity Situation



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

13-week Cash Flow Projection

Exhibit D Page 35 of 58

Cash Positions before Measures

\$ thousands

	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
	14-Apr	21-Apr	28-Apr	5-May	12-May	19-May	26-May	2-Jun	9-Jun	16-Jun	23-Jun	30-Jun	
1 Toll fares	\$ 2,200	\$ 2,650	\$ 1,700	\$ 3,400	\$ 2,200	\$ 2,650	\$ 1,700	\$ 3,400	\$ 2,200	\$ 2,650	\$ 1,700	\$ 2,650	\$ 29,100
2 Transit Revenues (Non-Cash)	-	-	-	-	-	-	-	-	-	-	812	-	812
3 Electronic Toll Fines	227	227	227	227	227	227	227	227	227	227	227	227	2,718
4 Other Income	106	106	106	108	108	108	108	108	108	108	15,108	108	16,289
5 Transfer from Government of PR	-	-	10,925	-	-	-	9,945	-	-	-	-	10,625	31,495
6 Subtotal - Operating Inflows	\$ 2,533	\$ 2,983	\$ 12,958	\$ 3,734	\$ 2,534	\$ 2,984	\$ 11,979	\$ 3,734	\$ 2,534	\$ 2,984	\$ 17,846	\$ 13,609	\$ 80,414
7 Gasoline Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8 Diesel Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Petroleum Products Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Cigarettes taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Motor Vehicle License Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Act 30 - Licenses Fees Transferred to Act	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Subtotal - Non Operating Inflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14 Federal Aid - FHWA & Earmarked Projects	\$ 1,822	\$ 1,822	\$ 1,822	\$ 1,818	\$ 1,818	\$ 1,818	\$ 1,818	\$ 1,818	\$ 1,818	\$ 1,818	\$ 1,818	\$ 1,818	\$ 21,828
15 Federal Aid-FTA (Sec. 5307 & Sec. 5309)	-	-	1,667	-	1,667	-	1,667	-	-	-	1,667	-	6,668
16 Subtotal - Federal Funding	\$ 1,822	\$ 1,822	\$ 3,489	\$ 1,818	\$ 3,485	\$ 1,818	\$ 3,485	\$ 1,818	\$ 1,818	\$ 1,818	\$ 3,485	\$ 1,818	\$ 28,496
18 Total Inflows	\$ 4,355	\$ 4,805	\$ 16,447	\$ 5,552	\$ 6,019	\$ 4,802	\$ 15,464	\$ 5,552	\$ 4,352	\$ 4,802	\$ 21,331	\$ 15,427	\$ 108,910
19 Salaries and Benefits	\$ 3,601	\$ -	\$ 3,601	\$ -	\$ 3,601	\$ -	\$ 3,601	\$ -	\$ 3,601	\$ -	\$ 3,601	\$ -	\$ 21,606
20 Toll and Highway Administration	-	2,026	-	2,026	-	2,026	-	2,026	-	2,026	-	2,026	12,156
21 Tren Urbano	-	-	3,400	-	3,400	-	3,400	-	-	-	4,212	7,712	22,124
22 First Transit	-	-	2,438	-	2,438	-	2,119	-	1,219	-	1,219	-	8,533
23 Construction Project Expense and Related ¹	1,972	3,072	1,972	1,968	1,968	2,868	1,968	2,182	2,182	2,982	3,417	4,682	31,231
24 Litigation Reserve ²	-	-	3,200	-	-	-	3,200	-	-	-	3,200	-	9,600
25 AP Prior Year ³	-	833	2,500	-	833	585	2,500	-	833	-	1,216	2,500	11,800
Additional investment required to appropriate federal													
26 funds	-	-	260	-	-	-	1,050	-	-	-	1,160	-	2,470
27 Other Operating Expenses ⁴	-	-	3,972	-	-	3,972	-	-	-	3,972	-	-	11,916
28 Total Outflows	\$ 5,573	\$ 5,931	\$ 21,343	\$ 3,994	\$ 12,240	\$ 9,451	\$ 16,938	\$ 4,208	\$ 7,835	\$ 8,980	\$ 18,025	\$ 16,920	\$ 131,436
30 Net Cashflow Excluding Measures & Clawback	\$ (1,218)	\$ (1,126)	\$ (4,896)	\$ 1,558	\$ (6,221)	\$ (4,649)	\$ (1,474)	\$ 1,345	\$ (3,482)	\$ (4,177)	\$ 3,307	\$ (1,492)	\$ (22,527)
31													
32 Cash Position, Beginning	\$ 28,983	\$ 27,765	\$ 26,638	\$ 21,742	\$ 23,300	\$ 17,080	\$ 12,431	\$ 10,957	\$ 12,302	\$ 8,820	\$ 4,642	\$ 7,949	\$ 28,983
34 Cash position, Ending	\$ 27,765	\$ 26,638	\$ 21,742	\$ 23,300	\$ 17,080	\$ 12,431	\$ 10,957	\$ 12,302	\$ 8,820	\$ 4,642	\$ 7,949	\$ 6,456	\$ 6,456



GOVERNMENT OF PUERTO RICO
Puerto Rico Highway and Transportation Authority

¹ \$2.5 millions – Barrio Obrero transfer to AAA² \$2.0 millions R/W, \$600 thousand legal fee, \$400 thousand reserve³ \$2.2 millions States certifications, \$405 thousands arbitral award ACI⁴ Utilities, Insurance, Rentals and others operating costs

Source: PRHTA Management Estimates

VIII. Implementation Plan



Strong governance at both the entity and project level will ensure implementation compliance of Fiscal Plan

Entity Level- Governance

- Puerto Rico Act 74-1965, as amended, which creates the Puerto Rico Highway and Transportation Authority, provides for a Board of Directors composed of seven members, three of which are to be appointed by the governor with the consent and advice of the Senate for (4) year term. One of them is required to be a licensed engineer, one must have ample knowledge and experience in the field of finance, and one is to be selected from a list to be provided by professional and non-governmental organizations. The other members of the board are the Secretary of Transportation and Public Works, the Executive Director of FAFAA, the President of the Planning Board and the Secretary of the Treasury.
- The Board composition described above provides the necessary balance between the government interest with respect to the implementation of public policy and the members appointed based on their merit and professional knowledge and experience. **It is management belief that in order to enhance continuity and knowledge transfer between political cycles, terms of the three members from the private sector be increased from 4 to 6 years ensuring a more stable and independent corporate leadership.**
- The Board has approved bylaws through resolution 2014-17 that clearly define the role and responsibilities of the Board. In summary, the Board is responsible for the governance of the Authority, the appointment of an Executive Director that in turns manages the operations and reports to the Board, the approval of the budget, overseeing compliance, approving major contracts beyond the delegations allowed to the Executive Director, monitoring the auditing process and ensuring the Authority performs according to its purpose and outline objectives.

Entity Level - Management & Performance Indicators

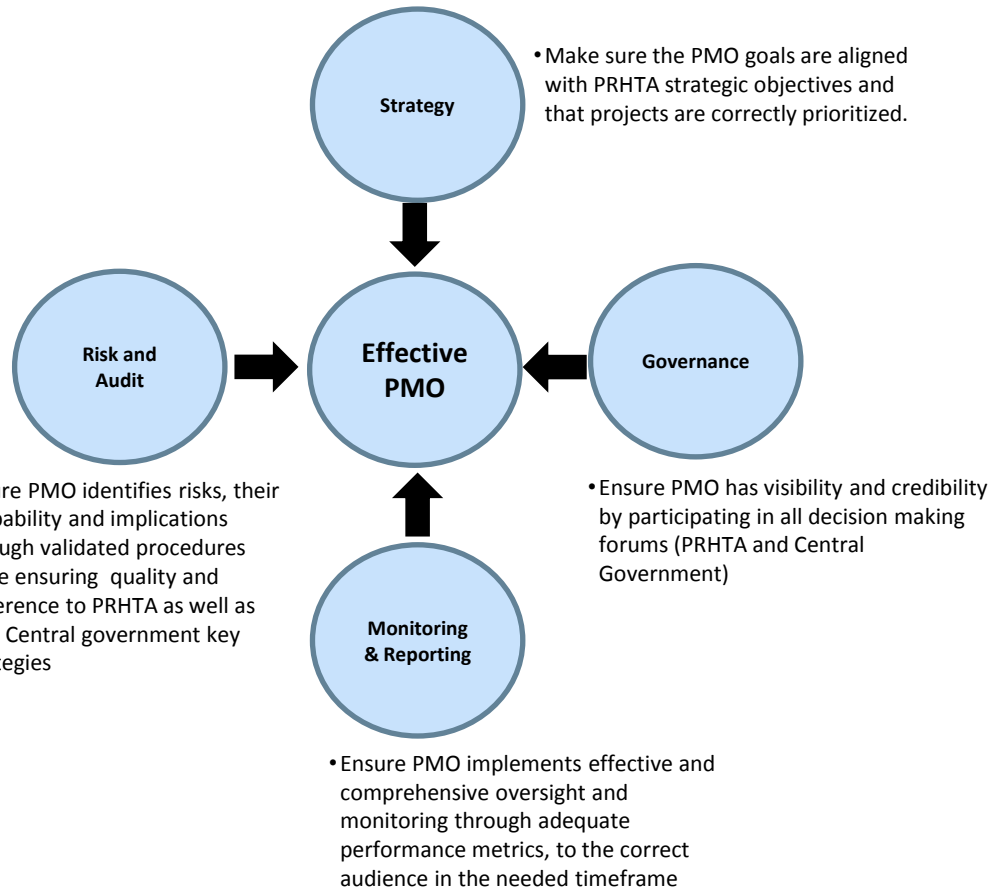
- The Authority's staff are government employees subject to the merit principle. As such they are not subject in general to changes in political cycles. Senior management is composed of "trust positions" appointed by the Board and the Executive Director. As a result of the current financial crisis, most of the trust positions have been filled with current employees. This has the adding benefit of reducing salary costs and employee benefits while maintaining the knowledge toward the future with employees that will continue in the agency independent of the political cycle.
- Together with the Statistics Institute, the Authority will design and implement a new set of standard indicators that will be followed and monitored to determined the level of performance being achieved.



At a project level, PRHTA will establish a Project Management Office (PMO) to effectively implement PRHTA's critical projects

PRHTA will establish a PMO with the required organization and processes to assure it can effectively implement the fiscal measures, MOU initiatives and the reforms proposed by the Central Government's fiscal plan

Main Elements of the PMO



Primary Initiatives

I. Fiscal Measures:

- 1) Transform organization from an in-house infrastructure developer to contract management
- 2) Optimize Outsourced Operations
- 3) Develop non-core Real Estate Program

II. MOU Initiatives

III. Financial Reform

- 1) Budget
- 2) Procurement
- 3) Disbursement



PMO guiding principle and actions definition

PMO Element

Guiding Principle

Action Step



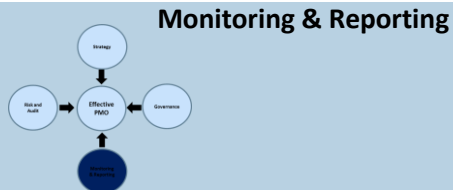
- Alignment between PMO governance and business strategy

- Define PMO strategy and objectives
- Define projects to prioritize based on organization's strategy, such as Fiscal Measure and MOU initiatives
- Standardize methodologies, procedures and templates for projects



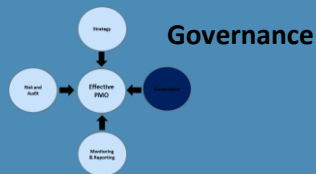
- Assurance on effective internal controls and risk mitigation

- Implement tools for risk assessment, such as a risk probability matrix
- Set up an Internal auditing committee to guide actions
- Strengthen requirements for continuous monitoring of risks
- Enhance transparency and competition in contractor selection process
- Enable recording and tracking of issues and action plans



- Oversight and monitoring through adequate performance metrics

- Develop appropriate Key Performance Indicators (KPIs) with the adequate frequency and audience
- Implement reporting tools to allow for proper visibility, such as visual boards



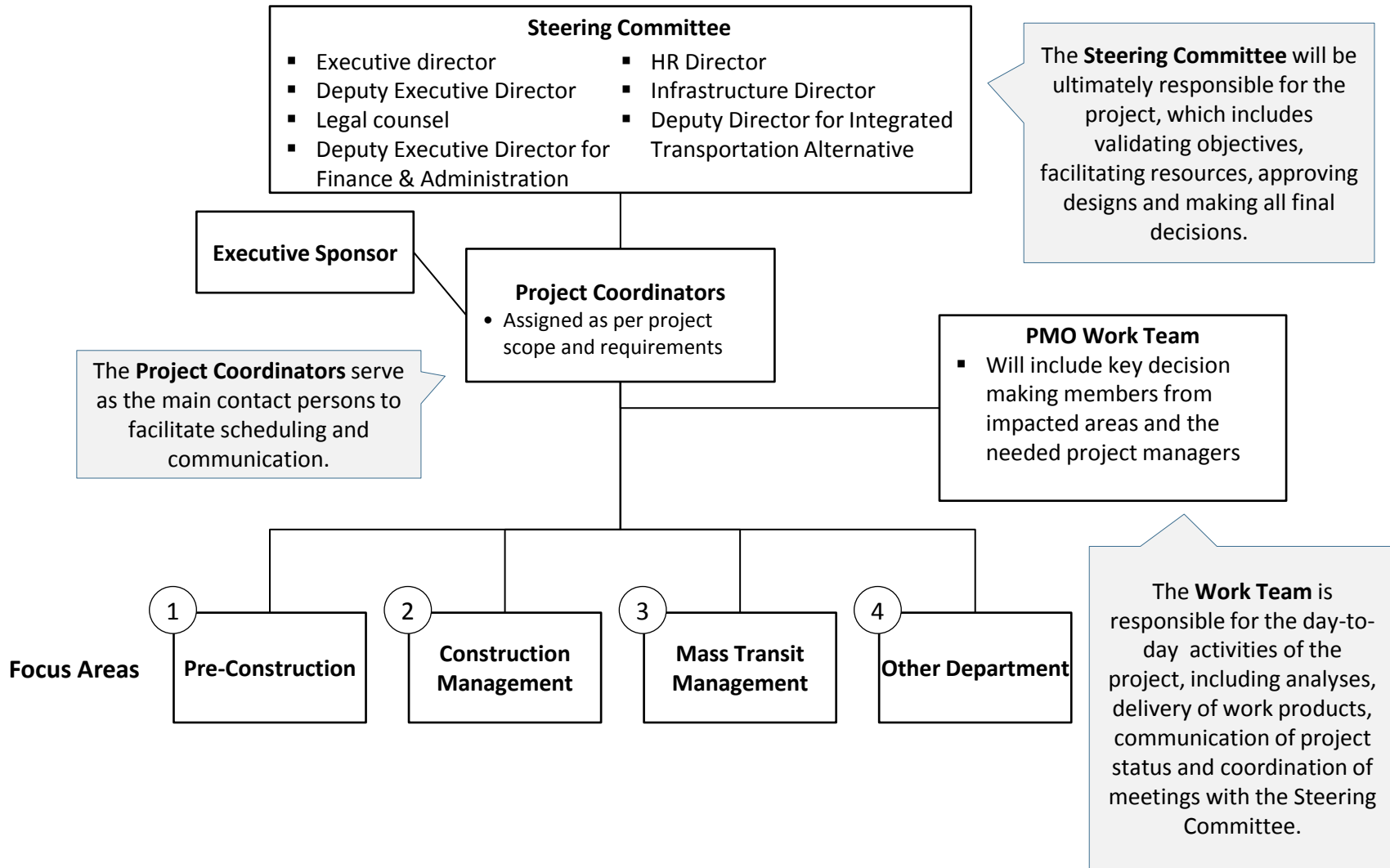
- Visibility and Credibility assurance and centralize decision making

- Place PMO to directly report to Executive Director's office or Steering Committee
- Coordinate and allocate skilled resources to deliver, monitor and control any governance initiatives
- Provide a structure through which project objectives are set and the means of attaining those objectives are met



PMO Organizational Structure

FOR ILLUSTRATION PURPOSES

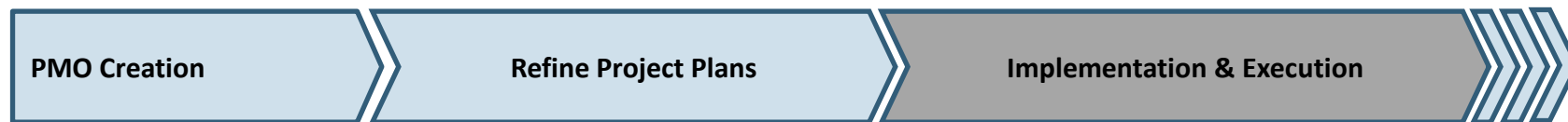


GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

Project Management General Timeline

 To be discussed in detail



Time



Activities

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Setting up project selection and prioritization process • Defining PMO's areas of responsibility , hierarchical position and competencies • Establish needed roles and organization to support initiatives • Define general work plan | <ul style="list-style-type: none"> • Creation of team charters, milestones and work plans • Perform Stakeholder analysis • Establish risk matrix mitigation plan • Development of Key Performance Metrics (KPI's) | <ul style="list-style-type: none"> • Development and implementation of master plans • Execution, monitoring and project control • Structuring of project interaction processes • Implementation of standards and reporting tools • Implementation of project management process improvements • Integration of PRHTA resources to project management support team |
|--|---|--|



GOVERNMENT OF PUERTO RICO

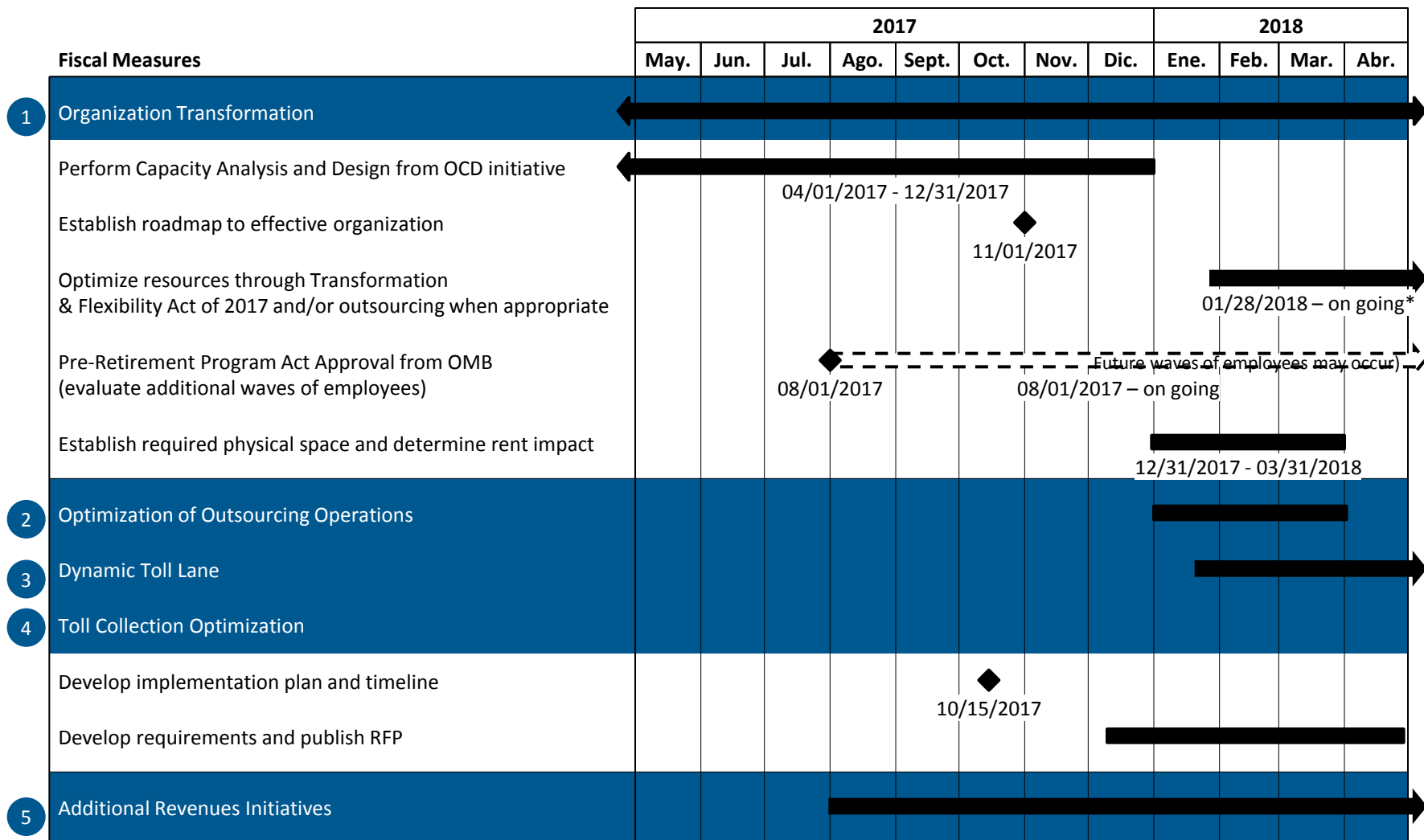
Puerto Rico Highway and Transportation Authority

Implementation plan for Key Initiatives (2017 - 2020)

Año	2017	2018	2019	2020
Fiscal Initiatives				
Organizational Transformation				
Optimization of Outsourcing Operations	01/01/2018 - 05/03/2018			
Revenues from new Dynamic Toll Lanes (DTL)	Design	Construction	Begin Operation	
Toll Collection Optimization				
Other Revenue Initiatives				
Fiscal Reform				
Budget				
Procurement	06/01/2017 - 03/03/2018			
Disbursement	10/01/2017 - ongoing			
MOU Initiatives				
Federal Aid Billing Procedures	04/01/2017 - 02/29/2020			
Toll Credits				
Organizational Capacity Development	03/31/2017 NTP	10/29/2017 Final Report w/ Implementation Plan	03/01/2017 - 12/31/2019	
Expediting Project Delivery				



Fiscal Measures Implementation Timeline



Financial Reform Implementation Timeline

Fiscal Reform	2017								2018				
	May.	Jun.	Jul.	Ago.	Sept.	Oct.	Nov.	Dic.	Ene.	Feb.	Mar.	Abr.	May.
Budget													
Definition of Core Services													
Inclusion of tracking mechanisms													
Implementation of a Zero-based Budget													
Procurement													
Categorize goods and services													
Creation of PMO Office													
Review procurement contracts													
Disbursement													
Establishment of Disbursement Authorization Group													
Priority payment protocol based on Core Services Definition													
Implementation of Rolling 13-week forecast and weekly reporting													



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

MOU Initiatives Implementation Timeline

MOU Initiatives	2017								2018					Completed ¹	
	May.	Jun.	Jul.	Ago.	Sept.	Oct.	Nov.	Dic.	Ene.	Feb.	Mar.	Abr.	May.		
I. Federal –aid Billing Procedures															
Implement 100% EFT to contractors															✓
Achieve 40 days lead time for contractor payment	On going														✓
Upgrade Billing electronic tracking system	On going														
Achieve next day payment after fund receipt	July 2017 – July 2018														✓
II. Toll Credits															
Identify & Validate existing balance of toll credits															✓
Design & Implement changes to the approval, tracking & reconciliation processes															
III. Organizational Capacity Development															
Billing Process Diagnostic of Current Situation															
Billing Process Design & Recommendations	04/01/2017 - 05/31/2017														
Project Development Process Diagnostic of Current Situation	06/01/2017 - 07/31/2017														
Project Development Process Design & Recommendations	04/01/2017 - 06/30/2017														
IV. Expediting Project Delivery															
Improve email communication system through	Email migration completed on Feb 2017														✓
Improve Project Management System (PMIS)															
Report reason & action plan for projects with less than 5% of expended funds	02/24/2017 - 02/23/2023														✓
Develop & Submit schedule to accelerate obligation of allocated funds															✓



IX. APPENDIX: PRHTA's MASS TRANSIT OPERATION OVERVIEW (INCLUDING TREN URBANO OPERATION)



Tren Urbano is the first rapid transit system in the Caribbean and one of the most modern in the United States

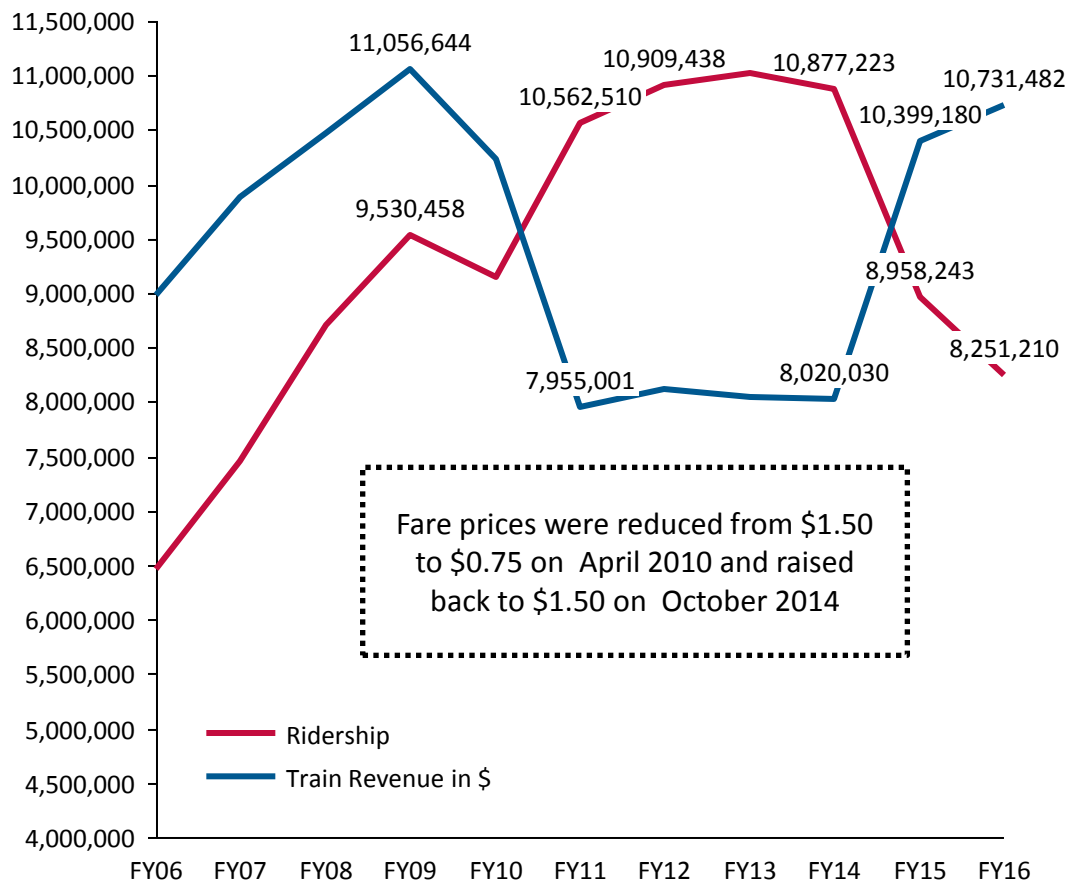
About Tren Urbano

- The Tren Urbano is the heavy rail component of the metropolitan transportation system. It encompasses a 16 stations alignment along 10.7 miles across the cities of Bayamón, Guaynabo and San Juan that serves as the spinal cord of the multimodal public transportation
- The Tren Urbano complements other forms of public transportation services in the San Juan metropolitan area such as the Metropolitan Bus Authority, Cataño Ferry, taxis and shuttles
- Currently underperforming its original ridership projections, it provide service to approximately 30,000 passengers daily with increase ridership during special events



Ridership increased from the 8-9MM range to the 10-11MM range when prices were reduced from \$1.50 to \$0.75, negatively impacting revenue levels

Historic Trends Tren Urbano: Ridership & Revenue



Fare System

- Regular \$1.50
- Medicare Participants \$0.75
- Golden Age (60 a 74 años) \$0.75
- Handicapped Citizens \$0.75
- Students \$0.75
- Elderly (above 75 y/o) Free
- Children (< 6 y/o) Free
- Unlimited Use
 - Day: \$5.00
 - Week: \$15.00
 - Month : \$50.00
 - 3 Months: \$90.00



Note: TU started revenue service in June 6, 2005

GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

Source: PRTHA

PRHTA manages a series of mass transit bus systems servicing customers in the Metro Area

First Transit Network-3rd Party Provider

- The **Metrobus** routes (E10 and T3 routes) run and extend through the heavy transited corridor between Tren Urbano Sagrado Corazón Station and the Covadonga Bus Terminal in Old San Juan
- **TU Conexión** service consists of four (4) fixed route bus service provided with smaller vehicles in areas where regular bus vehicles cannot be use due to geometrical limitations on the street network, or where travel demand cannot justify the use of regular transit buses in the vicinity of selected Tren Urbano Stations (Sagrado Corazón and Piñero).
- **Metro Urbano** is an express commuter type service, with stops only at the end points of the route, the Campanillas-Toa Baja Park-and-Ride Station and the Tren Urbano Bayamon Station.

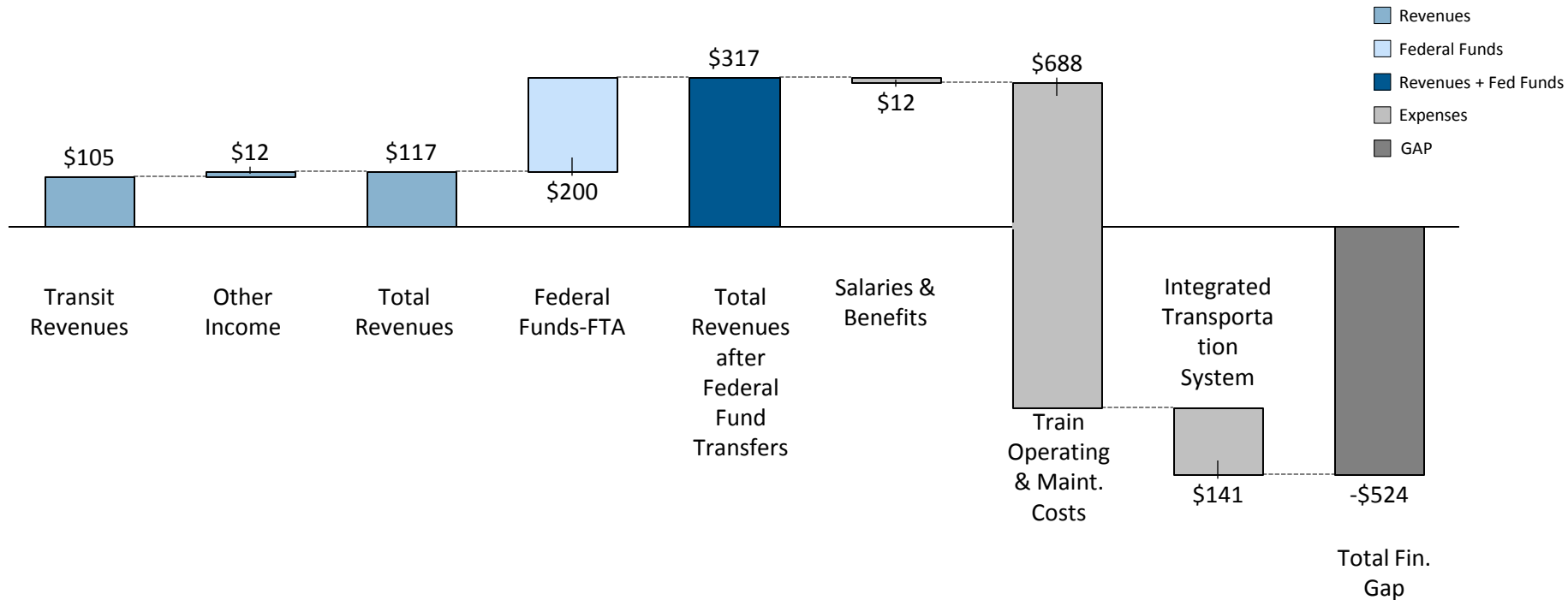


10-Year Projected Financial GAP for PRHTA's mass transit operation

Financial Gap Pre-Measures

\$ millions

*



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

Baseline projections for PRHTA's mass transit operation results in a \$524 million financial gap for the next ten years

Projected Financial Gap over the 10 year period

\$ thousands

	2016-17 P	2017-18 P	2018-19 P	2019-20 P	2020-21 P	2021-22 P	2022-23 P	2023-24 P	2024-25 P	2025-26 P	Total	
											5 Yr	10 Yr
Revenues												
Transit Revenues (1)	10,200	10,200	10,404	10,612	10,612	10,612	10,612	10,612	10,612	10,612	52,028	105,088
Other income (2)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	6,000	12,000
Total Revenues	\$ 11,400	\$ 11,400	\$ 11,604	\$ 11,812	\$ 11,812	\$ 11,812	\$ 11,812	\$ 11,812	\$ 11,812	\$ 11,812	\$ 58,028	\$ 117,088
Federal Aid-FTA (Sec. 5307 & Sec. 5309) (1)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	100,000	200,000
Total Revenues After Federal Fund Transfers	\$ 31,400	\$ 31,400	\$ 31,604	\$ 31,812	\$ 31,812	\$ 31,812	\$ 31,812	\$ 31,812	\$ 31,812	\$ 31,812	\$ 158,028	\$ 317,088
Expenses												
Salaries and related benefits (3)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(6,000)	(12,000)
Train operating and maintenance costs (1)	(65,360)	(66,478)	(68,090)	(69,733)	(69,733)	(69,733)	(69,733)	(69,733)	(69,733)	(69,733)	(339,394)	(688,059)
Integrated transportation system (1)	(14,076)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(14,075)	(70,376)	(140,751)
Total operating expenses	\$ (79,436)	\$ (80,553)	\$ (82,165)	\$ (83,808)	\$ (83,808)	\$ (83,808)	\$ (83,808)	\$ (83,808)	\$ (83,808)	\$ (83,808)	\$ (415,770)	\$ (840,810)
Total Fin. Gap Pre-Measures	\$ (48,036)	\$ (49,153)	\$ (50,561)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (251,742)	\$ (523,722)

- 1) Same assumptions as used in PRHTA Fiscal Plan (Section V, p. 34)
- 2) Other Income includes revenues from \$600k from Metrobus ridership and about \$600K coming from Advertising
- 3) Salaries and benefits assumed to continue at same rate as in FY2016 & FY2017



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

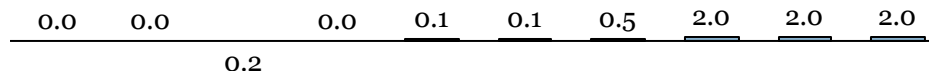
Some measures included in Section V, will have a direct impact on PRHTA Mass Transit Operation (including Tren Urbano)

1 Transform organization from an in-house infrastructure developer to contract management

- Organize PRHTA into a world class infrastructure developer and manager moving towards a contract management business model, such as done today for different functions. Impact includes net savings from Organizational Transformation, Pre-Retirement Program, Overhead Savings, Additional Outsourcing costs and Rent Reduction

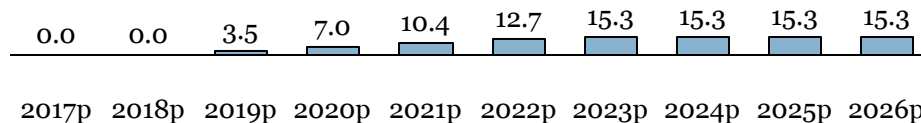
Results

\$ millions, Full year impact



2 Optimization of Outsourcing Operations

- PRHTA believes it can obtain additional savings in their Transit Services by promote more competition in the acquisition of equipment and services to guarantee the best possible prices



3 Commercial Real Estate Development

- The Tren Urbano Alignment posses a considerable amount of currently unused Commercial Retail Space. An initiative is underway market and lease those spaces. This initiative will represent additional revenue and will enhance the experience of users of the system as increase ridership will make stations not only points of access to the rail system and its surroundings, but also destinations themselves.

Initiative is under management evaluation/analysis.
Current expectation is to generate incremental revenues of \$25K per year starting with FY 2018

3 Additional Measures to Reduce Transit Losses

- Generate additional revenues from Advertising & Filming Rights
- Participate in Competitive Grants to procure additional Federal Funding
- Increase Safety Programs and Measures to reduce at a minimum patron claims
- Implement additional digital surveillance to reduce vandalism and perimeter breaches in so doing reducing costs associated to this activities

Initiative is under management evaluation/analysis. Initial expectation is to generate incremental revenues of \$400K at peak levels



GOVERNMENT OF PUERTO RICO
Puerto Rico Highway and Transportation Authority

¹ Assumes Labor Transformation and Flexibility Act of 2017 applies to PRHTA and resources can be relocated appropriately

² PRHTA submitted Pre-retirement Plan to Office of Management and Budget (OMB) on December 2016 for approval

Source: Analysis and Labor need by PRHTA ; Pre retirement analysis by PRHTA; Operating budget 2016

Financial Gap after measures

Exhibit D Page 53 of 58

Projected Financial Gap over the 10 year period

\$ thousands

	2016-17 P	2017-18 P	2018-19 P	2019-20 P	2020-21 P	2021-22 P	2022-23 P	2023-24 P	2024-25 P	2025-26 P	Total	
											5 Yr	10 Yr
Total Fin. Gap Pre-Measures	\$ (48,036)	\$ (49,153)	\$ (50,561)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (51,996)	\$ (251,742)	\$ (523,722)
Measures												
Organizational Transformation (1)	\$ -	\$ -	\$ (232)	\$ 30	\$ 77	\$ 124	\$ 546	\$ 1,957	\$ 1,957	\$ 1,957	\$ (125)	\$ 6,416
Optimization of Outsourcing Operations (1)	\$ -	\$ -	\$ 3,475	\$ 6,950	\$ 10,425	\$ 12,741	\$ 15,290	\$ 15,290	\$ 15,290	\$ 15,290	\$ 20,850	\$ 94,751
Total Impact from Measures	\$ -	\$ -	\$ 3,243	\$ 6,980	\$ 10,502	\$ 12,865	\$ 15,836	\$ 17,247	\$ 17,247	\$ 17,247	\$ 20,725	\$ 101,167
Total Financial Gap after Measures	\$ (48,036)	\$ (49,153)	\$ (47,318)	\$ (45,016)	\$ (41,494)	\$ (39,131)	\$ (36,160)	\$ (34,749)	\$ (34,749)	\$ (34,749)	\$ (231,017)	\$ (422,555)

Summary of Results

- PRHTA's mass transit operation Fiscal Measures of \$101 MM are expected in the next ten years
- Funding gap expected to be reduced from \$524MM to \$423MM after measures
- Management is assessing additional measures to close the GAP even further
- Management to complete PRITA (Puerto Rico Integrated Transit Authority) integration in order to enable further significant savings and revenue enhancements opportunities



GOVERNMENT OF PUERTO RICO
Puerto Rico Highway and Transportation Authority

A way forward for all Mass Transit operations (within PRHTA) including Tren Urbano

What is PRITA?

- The Puerto Rico Integrated Transportation Authority (PRITA) was created by Act 123-2014 **to integrate the different transportation programs under one single entity**. A requirement prior to the full integration within PRITA was acquiring Federal Grantee Status (currently the Tren Urbano project falls under the Puerto Rico Highway and Transportation Authority as Grantee of the Federal Transit Administration)

Obtain Grantee Status & Consolidate

- The PRHTA new executive team is diligently working in partnership with PRITA and the FTA **to complete all pending requirements to obtain the Grantee Status**. The law provides that once the grantee status is granted to PRITA, PRHTA will fully transfer the TU Project to PRITA who will in turn, **consolidate the administration, finance, human resources and other management overhead** of the current Metropolitan Bus Authority, the Maritime Transportation Authority and the Tren Urbano Project.

Achieve Planned Synergies

- Just like the PRHTA, PRITA is subject to the Public Policy established by the Department of Transportation and Public Works but with this separation, the Tren Urbano can **develop new ways to enhance its profitability by integrating with the other transportation components, maximizing savings opportunities, focusing on the development of additional sources of revenue** while establishing a governance structure that guarantees stability throughout political cycles



X. APPENDIX: FINANCIAL PROJECTIONS NOTES ON BASE CASE SCENARIO



Financial Projections Assumptions and Notes on Base Case Scenario

- (1) Revenues from Tolls, Gasoline taxes, Diesel taxes, Petroleum Products taxes, Cigarette taxes and Vehicle License Fees are projected in a span of ten years using values from the Government of Puerto Rico Certified Fiscal Plan
- (2) No change in toll tariffs is considered
- (3) Revenues due to vehicle license fees are projected to remain constant per year
- (4) Other income (impact fees, advertisement, etc.) revenue line was provided by PRHTA management
- (5) All operational expenses were based on operational budget 2016
- (6) All Construction expenses are PRHTA management estimates
- (7) Clawback values are taken to be equal to the amount of revenues coming from Gasoline taxes, Diesel taxes, Petroleum Products taxes, Cigarette taxes and Vehicle License Fees
- (8) Debt Service information was provided by PRHTA management
- (9) Reflects estimated amounts to maintain necessary operating expenses before debt service



XI. APPENDIX: Additional information



GOVERNMENT OF PUERTO RICO

Puerto Rico Highway and Transportation Authority

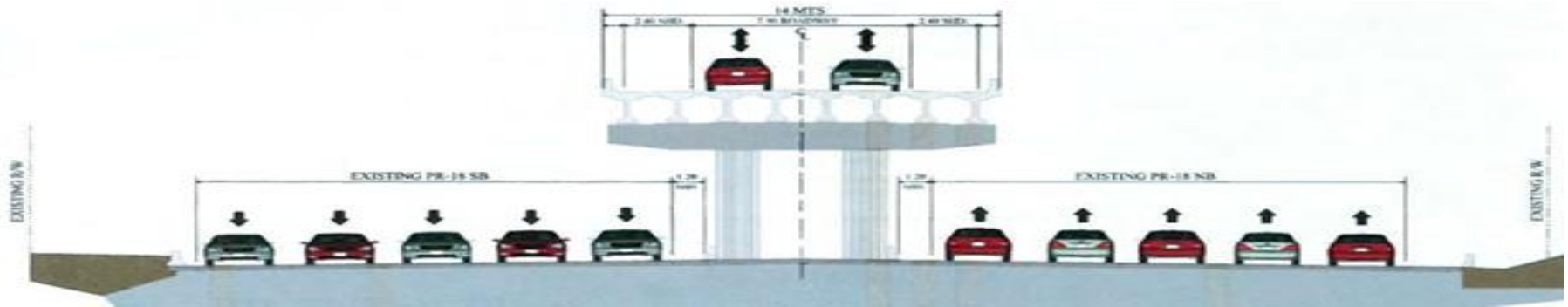
PR-18 Value Engineering Example

Exhibit D Page 58 of 58

Express Lanes Project - Las Américas Expressway (PR-18)

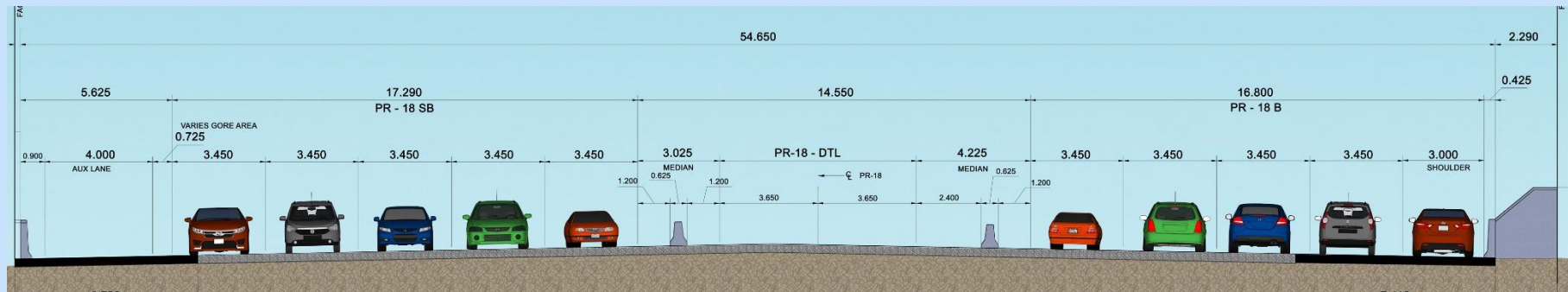
Original Proposal: Construction of a 950 meter bridge

Estimated cost: \$30.9M



New Proposal: Construction levelled with current lanes

Estimated Cost: \$15.9M



GOVERNMENT OF PUERTO RICO
Puerto Rico Highway and Transportation Authority